CONTENTS

CHAPTER 1

MAYOR'S FOREWARD & EXECUTIVE SUMMARY

1.1. MAYOR'S FOREWORD

It is with great pride that I present to you Senqu Municipality's Annual Report for the period 2011/2012.

As is the nature of service delivery, 2011/2012 was not a year without challenge, both on the administrative and operational front. Having taken on our first year as the Council for 2011-2016, we are proud to be able to say that we have worked extremely effectively with the administrative arm and have received very strong administrative support which has eased our role and function enormously.

While it is acknowledged that the Integrated Development Plan (which is developed from extensive public participation exercises) provides the strategic direction and focus of the organisation, it must also be noted that this is strategically aligned to the Provincial Growth Development Strategy.

In this way our focus and efforts, while strictly accommodating the needs of our community, reflect also the provincial growth and development strategies that inform the focus of municipal service delivery nationally.

Accordingly, the following areas became the focus for the 2011/2012 period and will facilitate growth and sustainability within the municipal delivery areas and areas of focus.

In attempting to align the focus and direction for the 2011/2012 period the following areas of alignment with the district, provincial and national priorities were incorporated within the Key Performance Areas as reflected within the performance reports. Accordingly, areas of focus have included:

- Agrarian and forestry programmes;
- Tourism;
- Service delivery efficiency;
- Financial viability and management;
- Meeting basic community needs in order to facilitate sustainable human settlements;
- Gender equality and women empowerment; and
- Organisational development, good governance and public participation.

These have been incorporated within the 5 National Key Performance Areas as aligned to the national Key Performance Indicators i.e. Financial Viability and Management; Service Delivery; Good Governance and Public Participation; Local Economic Development and Municipal Transformation and Institutional Development.

It is unfortunate that challenges have been experienced with the process of aligning the SDBIP and Budget to the IDP and performance targets were not well written. – this in turn impacted on the manner in which performance targets were written in all other areas and will ultimately affect performance assessment overall.

Every effort must be made to ensure alignment between the IDP, SDBIP and Budget. In so doing, attention must be paid to ensuring that performance targets are well written and written in an objective manner. The performance objectives and targets were translated from the strategic objectives contained within the IDP, into the SDBIP and related Budget. In this manner the focus and direction of all activities within the organisation was on the achievement of the strategic objectives. Realistic objectives were used based on available organisational resources, including budget.

In order to improve public participation and accountability, various types of activities were undertaken – thereby ensuring that the community would feed into all pertinent aspects of governance and ensuring that community needs and issues would be addressed wherever possible. In this manner a culture of communication was also fostered.

The following public participation initiatives were used:

- Outreach programmes allowed feedback/information to be taken to the community regarding the budget;

- Tourism brochures were developed and distributed;

- The IDP Process Plan allowed for formal public participation opportunities/meetings to facilitate community commitment and communication;

- Mayoral outreach meetings were held in all wards;

- Public hearings were held especially in order to disseminate information about and information into by-laws;

- Monthly meetings – in this regard the Municipal Manager has set aside time to meet each month with members of the public in order to discuss pressing needs and issues;

- Media relations including :

    - Newspaper coverage
    - Broadcast media

  Accountability from an institutional perspective is achieved by ensuring that institutional and employee reporting is conducted within required parameters.

  During 2010/2011 a number of issues were raised by the Auditor General as requiring improved performance. These comments were taken and translated into the Audit Action Plan and in terms of this the following issues were treated as issues of priority and concern. In this manner, every effort was made to engage in corrective actions in order to improve service delivery overall:

- Efforts to reduce and manage electricity losses are to be undertaken and improved upon, year on year;

- Systems and processes were developed in order to facilitate the reduction and elimination of unauthorised expenditure. Strict guidelines were detailed regarding the manner in which expenditure may be authorized and disciplinary action was to be taken in all instances where adherence to the policy and procedures did not occur. In this regard, staff were to be kept informed and updated regarding processes and procedures:

    - Through the application of strict expenditure controls every effort has been made to reduce the incidents of fruitless and wasteful expenditure;

    - Baseline data continues to be an issue –although the manner in which this information is to be sourced is receiving greater attention and focus. Over time it is envisaged that this will be greatly improved;

    - The application of the performance reporting requirements have assisted in facilitating the auditing and verification of all performance information and ensuring that all required standards are met. The appointment of an Integrated Planning and Compliance Manager, an Internal Auditor and the fact that the Internal Audit Unit is now functional has added to this success;

    - All members of the Audit Committee are to be trained in respect of their role and function, and

    - All aspects of Supply Chain Management have and must be strictly applied.

Overall, it is noted that a great deal of success and improvement has been achieved and it is hoped that this will continue to be experienced as we move forward.

Notwithstanding the service delivery issues, Council is passionate about addressing the needs of the Community and uplifting the community of Senqu Municipality in a holistic and sustainable manner.

In this regard, our focus will continue to be placed on Service Delivery whilst also ensuring that every effort is made to facilitate Local Economic Development in all spheres.

In order to be in a position to provide better administration and services we will ensure that staff and councillors are capacitated . We commit to focusing our efforts on undertaking planned projects in respect of Special Programmes (aimed at women, the youth, the disabled, the elderly and the like). We will ensure that HIV/Aids awareness and support is promoted at every level and that the community will be capacitated through EPWP projects.

An exciting 2012/2013 is clearly on its way and we are looking forward to even greater achievements.

MAYOR N.Y .MTYALI

1.2 MUNICIPAL MANAGER'S FOREWORD

The 2011/2012 period brought with it a change in the political leadership of Senqu Municipality which in turn impacted positively on the operational and administrative functioning of the organization. Change has been experienced very successfully and bears testimony to Council, management and staff as we have worked well to ensure that, as always, the needs of Senqu Municipality and its community remain paramount.

In delivering this forward a number of pertinent issues are to be highlighted. These are reflected as follows:

- Senqu Municipality was established in terms of the Provincial Gazette of 28 February, Notice 22 of 2000 (with subsequent amendments);
- As a Category B Municipality, Senqu Municipality was established to be a Collective Executive type system and consists of 37 councillors (19 ward Councillors and 18 proportional Elective Councillors);
- Council is responsible for taking political decisions relating to service delivery and playing an oversight role in Council;
- Meetings of Council occur quarterly and Special Council meetings are convened when an urgent issue is require to be attended to and/or an urgent decision needs to be taken;
- As per Chapter 3 of the Municipal Systems Act, Act No. 32 of 2000), the executive and legislative authority of a municipality lies with the Council and the Council takes all the decisions of the municipality subject to s59.
- Executive Committee meetings convene monthly and are constituted as follows: the Mayor, Political Heads of Standing Committees, and the top management of the municipality.
- Standing Committees meet in order to discuss or recommend that certain actions are taken by the Executive Committee or Council. These committees are chaired by the Portfolio Councillors who form part of the Executive Committee members. The other members are Councillors, who are elected by political parties, traditional leaders and the administration;
- The municipality engages with a number of sector departments. While there are a number of associations, the following are representative of the many sector departments with whom there is interaction:
  - The Department of Public works (who provide assistance in terms of EPWP funding);
  - The Department of Sports, Arts and Culture – due to the Community Services functions relating to sportsfields, libraries and the like;
  - The Department of Human Settlements (for whom Senqu Municipality acts as the Housing facilitator);
  - All grant funding sponsors e.g. DEAT, MIG, NDPG, EPWP, Department of Agriculture; and Department of Social Development.

  In these instances it is imperative that the municipality meets with these departments regularly to discuss progress and issues of challenge.
- Senqu Municipality was awarded an unqualified audit opinion with emphasis of matter by the Auditor General for the 2011/2012 period. This has occurred two years in succession and we are extremely proud of this fact.
- Changes in respect of the s56 managers did occur during this time. It is noted that the contracts of the following s56 managers were renewed:
  - Municipal Manager
  - Chief Financial Officer
  - Technical Services Manager

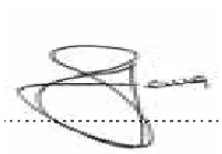
– Community Services Manager

The contracts for the Corporate Services Manager and the IPME Manager were not renewed and new appointments were made after the financial year end.

- Risk assessments are conducted annually and reporting is conducted quarterly in order to facilitate the management of risks. While this is conducted effectively as an annual event, it is noted that quarterly reporting must be conducted more formally in order to facilitate the management and reporting of risk, provision has been made on the organogram for the appointment of a Compliance Officer and a Risk Manager. To date the Compliance Officer gas been appointed and this has facilitated the reporting function.

Having experienced a successful 2011/2012 we look forward to the new financial year – striving at all times to provide the much needed and required services in an efficient and effective manner.

I would like to take this opportunity to thank my team (managers and staff) and the Mayor, Speaker and Councillors' for making our efforts worthwhile.



M.M. YAWA
MUNICIPAL MANAGER

1.3 EXECUTIVE SUMMARY

Senqu Municipality's Annual Report for 2011/2012 details and comprehensively summarizes the overall financial and administrative health of the organization, together with the successes and challenges experienced.

At all times and as per Chapter 5 of the Municipal Systems Act, Act 32 of 2000, reference will be made to the Integrated Development Plan and effectively the municipal 5-year strategic plan that emanates from this (and it's annual review).

The establishment of the new Council resulted in a new 5-year Integrated Development Plan for Senqu Municipality. This plan was developed to span the period 2011-2016 and was developed after a high degree of public participation, ensuring that it remained an accurate representation of the needs of the community.

Taking Budget considerations into account for the current financial year, the annual strategic objectives were developed and this in turn gave rise to the development of the Service Delivery and Budget Implementation Plans (SDBIP's). These operational plans were developed as required for each department. It is acknowledged that challenges of alignment between the IDP, Budget and SDBIP were experienced and this will be required to be resolved moving forward.

This executive summary is intended to provide a comprehensive overview of the content and issues covered within all parts of this report.

Chapter 1: Mayor's Foreword and Executive Summary

This introductory segment introduces both the political and administrative heads of the organisation. These forewords detail information regarding the current state, vision and corrective action required. Further to this, it provides detail on the geographical context within which Senqu Municipality resides. Issues covered include: population data, gender, income issues and demographical challenges.

It is clear that with high levels of unemployment and poverty, the resulting rate base is adversely affected as a result, and must naturally impact negatively on the organization's ability to increase its revenue source. Additionally it is noted that the younger and more educated members of society tend to leave this economic area which exacerbates these challenges further. These are accepted and considered in context as the other pertinent issues are discussed.

Chapter 2: Governance

This chapter is divided into 4 sections and detail is included as follows:

Component A: Governance Structures

The background and context of the municipality is examined in respect of:

- Political Governance Structure
- Administrative Governance Structure

Component B: Intergovernmental Relations

- Intergovernmental Relations (detail on the extent to which this occurs and how)

Component C: Public Accountability and Participation

- **Public Meetings**

  Public Participation meetings are scheduled and held in terms of the Process Plan, IDP requirements and regularly in order to liaise with public.

- **IDP Participation and Alignment**

  IDP participation and alignment to the SDBIP and Budget is required to receive focus as indicated..

Component D: Corporate Governance

A number of governance issues are addressed and these include:

- **Risk Management**

  Risk Management /Assessments are undertaken. Greater controls needed to be applied to ensure effective implementation.

- **Anti-corruption and fraud**

  Anti-corruption and fraud strategies are in place and applied.

- **Supply Chain Management**

  Supply Chain Management practices and policies are for the most part correctly applied and issues requiring attention are being formally addressed.

- **By-Laws**

  By-laws, policies and procedures were updated. Implementation remains a challenge and these are required to be workshopped.

- **Websites**

  During 2011/2012 attempts to update and post information on the municipal website were undertaken. These are still outdated and required to be updated overall.

- **Public Satisfaction on Municipal Services**

  High levels of interaction ensure regular feedback and so too customer satisfaction surveys.

- **All Municipal Oversight Committees**

  All audit committees are functioning well overall.

- **Staff capacitation and training**

  The capacity of staff has been enhanced through the application of the WSP and management of labour. Notwithstanding it is acknowledged that much more is required to be done in order to enhance capacity in so many areas.

Chapter 3: Service Delivery Performance (Performance Report Part 1)

This chapter details the performance achievements and challenges experienced within the areas of service delivery specifically. Key issues are highlighted as follows:

- Senqu Municipality has been licensed by the National Energy Regulator of South Africa to supply electricity to Sterkspruit, Lady Grey and Barkly East. The level of this service is currently high. Electricity losses have been successfully reduced in 2011/2012.

  Notwithstanding insufficient funding, inadequate infrastructure and a lack of capacitated staff and filled vacancies have had impact on the ability to reduce electricity losses. The target of eliminating backlogs of approximately 60% was met but is dependent on ESKOM to address these within the rural areas.

  A Free Basic Energy Project is currently undertaken in Rossouw and as a result, 63 households currently receive 20 liters of paraffin and 12 candles per month.

- The municipality is currently responsible for all access and municipal roads – the reminder falling under the functions of the Department of Roads and Public Works (DRPW).

  Roads are not provided at the required level and are predominantly gravel in the rural areas.

  Financial and plant shortages/limitations and the capacity of staff have had a detrimental effect on the ability to provide the required services.

  Shortfalls in planned eradication of backlogs were achieved.

- Stormwater systems are required to be installed by Senqu Municipality. The standard of service for these is exceptionally low and most of these provisions remain unlined.

  Notwithstanding the resource limitations it is noted that the Stormwater Master Plan was recognized as being a requirement for the entire municipal area and once implemented, would allow for coordinated projects.

  Progress has been made in respect of the replacement of road signs, maintenance of side drains, cleansing of catch pits and the installation of stormwater crossings in the rural areas.

- Water services are only provided within the urban area and Senqu Municipality was appointed as the Water Services Authority until 31 July 2012.

  Service provision is considered to be of a high quality and connections to the yard and house are apparent with 24 hours availability. Within the rural areas this status is very different and many outages are experienced.

  Many challenges are present in attempting to meet these required targets.

- Sewerage services are provided only within the urban area, and as the appointed Water Services Authority. This is provided mostly at a high level (as part of the water borne services). VIP's and buckets are still to be found within informal and formal areas and where this is apparent, the bucket removal and VIP services are found to be sub- par due to plant down time.

  A number of successes were achieved and these related to the handling of complaints, new connections, emptying of conservancy tanks and informal bucket removal.

  Challenges related to: bucket eradication, development of sanitation ponds, infrastructure and financial resource limitations, and capacity of staff.

- The job creation projects while considered to be successful were overspent by R288 000 although this was due to unforeseen payments. The EPWP programme exceeded all expectations and additional job opportunities were created above target.

- MIG funding on projects was spent as required and the manner in which MIG projects were managed was recognized.

- Although cemetery maintenance function occurs, it is limited by available funding. The planned electronic cemetery register was not developed during this financial year and is required to receive focus moving forward.

- Campaigns to minimize illegal dumping have been undertaken but additional progress is required.

- While limited by financial resources, certain projects were undertaken and project milestones achieved in respect of municipal halls and sporting facilities. Kwezi-Naledi Hall was fenced and renovated and sportsfields had minor issues addressed. Additional needs are required to be addressed and planning for these will take place.

- A number of successful interventions were undertaken in order to raise awareness regarding the importance of and the methods of recycling. These were facilitated by interns and staff.

- Refuse collection remained a challenge due to vehicle breakdowns, impassable access roads and staff shortages – ultimately exacerbated by lack of financial resources and inadequate infrastructure.

- Commonages were well stocked – preserving the goodness of the land.

- Senqu Municipality is in possession of a Free Basic Services and an Indigent Subsidy Support Policy which was reviewed and implemented. The most challenging issue relates to updating and maintaining the Indigent Database Register – its accuracy and validity a major challenge and also to ensure that no-one is disadvantaged in the process.

- The management of suppliers was a challenge that appears to have been resolved through the application of the service providers reporting template and the proposed appointment of the Risk Performance Officer. Notwithstanding progress, it is acknowledged that the risk assessment of the supply chain management system has not been completed. On a positive note it is noted that the SEBATA system now notifies staff of insufficient funds (in order to prevent incidents of over-spending). The Bid Register is now published on the municipal website and the tender committees are now functioning as required.

- The following awards have been received in respect of service delivery:

  - Vuna Awards during 2010/2011
  - Financial Awards for the “Cleanest Town Award” (Environmental Affairs Award for Province);
  - A reward for effective MIG expenditure; and
  - Being chosen to pilot a customer care survey that was taken to the community via Community Liaison Workers and Ward Councillors.

Overall we have a situation where Senqu Municipality is financially sound/liquid, service delivery is well provided and we have received an unqualified audit report. Notwithstanding it is acknowledged that improvements are always needed and our focus will be: enhancing revenue, ensuring full GRAP compliance, implementation of Risk Management Strategies and monitoring financial viability and debt coverage and expenditure control.

Chapter 4: Organizational Development Performance (Performance Report Part II)

Component A: Introduction to the Municipal Workforce

This deals with an introduction to the municipal workforce. Discussion centers around the organogram, staff establishment figures, employment equity issues and the like.

Component B: Managing the Workforce in terms of reporting and functional structures

Functional reporting structure is provided

Component C: Capacitation of the Workforce

Capacitating workforce, WSP and staff training statistics are provided.

Component D: Managing municipal workforce expenditure

Controls in respect of reporting and expenditure management are provided.

Chapter 5: Financial Performance

All aspects of financial management are covered and specifically within the following areas:

Component A: Statement of Financial Performance

Component B: Spending against Capital Budget

Component C: Cash Flow Management and Investment

Component D: Other Financial Matters

Chapter 6: Auditor General Findings

This chapter provides an overview of the Auditor General’s Report of the previous financial year and will include:

- Detail on issues raised during the previous financial year; and
- Remedial action and preventative measures taken and proposed..

Appendices:

Appendix A:	Councillors, Committee Allocation and Council Attendance
Appendix B:	Committee and Council purpose
Appendix C:	Third Tier Administrative Structure
Appendix D:	Functions of Municipal Entity
Appendix E:	Ward Reporting
Appendix F:	Ward Information
Appendix G:	Recommendations of the Municipal Audit Committee
Appendix H:	Long Term Contracts and Public Private Partnership
Appendix I:	Municipal Entity /Service Provider Performance Schedule
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Appendix K:	Revenue Collection Performance
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Appendix L:	Conditional Grants Received: Excluding MIG
Appendix M:	Capital Expenditure – New & Upgrade/Renewal Programmes: Including MIG
Appendix M(i):	Capital Expenditure- New Assets Programme
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Appendix N:	Capital Programme by Project Current Year
Appendix O:	Capital Programme by project by Ward current year
Appendix P:	Service Connection Backlogs at Schools and Clinics
Appendix Q:	Service Backlogs experienced by the community where another sphere of Government is responsible for service provision
Appendix R :	Declaration of loans and Gants made by the Municipality
Appendix S:	Declaration of Returns not Made in due Time under MFMA s71
Appendix T :	National and Provincial Outcome for local government

Volume II: Annual Financial Statements

Section 67(1)(a)(iv) states that audited financial statements for the financial year must be reported on, Financial statements to be displayed within the municipal/municipal entity Annual Report include:

- Summary of operating results presented by the CFO, including
    - Operating revenue
    - Operating expenditure
    - Operating results per service
    - Capital expenditure and financing
    - External loads, investments and cash
- Statement of financial position
- Statement of financial performance
- Statement of changes in net assets
- Cash-flow statement
- Accounting policies
- Notes to financial statements

Financial statements of all entities of the municipality should be included in this section.

In concluding it must be emphasized that the overriding goal of the vision and mission of Senqu Municipality is to "provide quality and affordable services to all members of the community, in a manner that sustains development and creates a better life for all".

As per the IDP, focus areas include:

- Good governance and effective administration
- Sustainable Infrastructure development
- Sustainable Basic Services
- Economic Development
- Environmental Management
- Social Development
- Financial Viability
- Empowerment of Youth, Women and Disabled, and
- Safety and Security

Noted: These focus areas will be incorporated into the five national indicators for performance reporting purposes.

This report details the manner in which this is achieved, within the context of the goals and targets contained within the Integrated Development Plan.

1.4. MUNICIPAL OVERVIEW

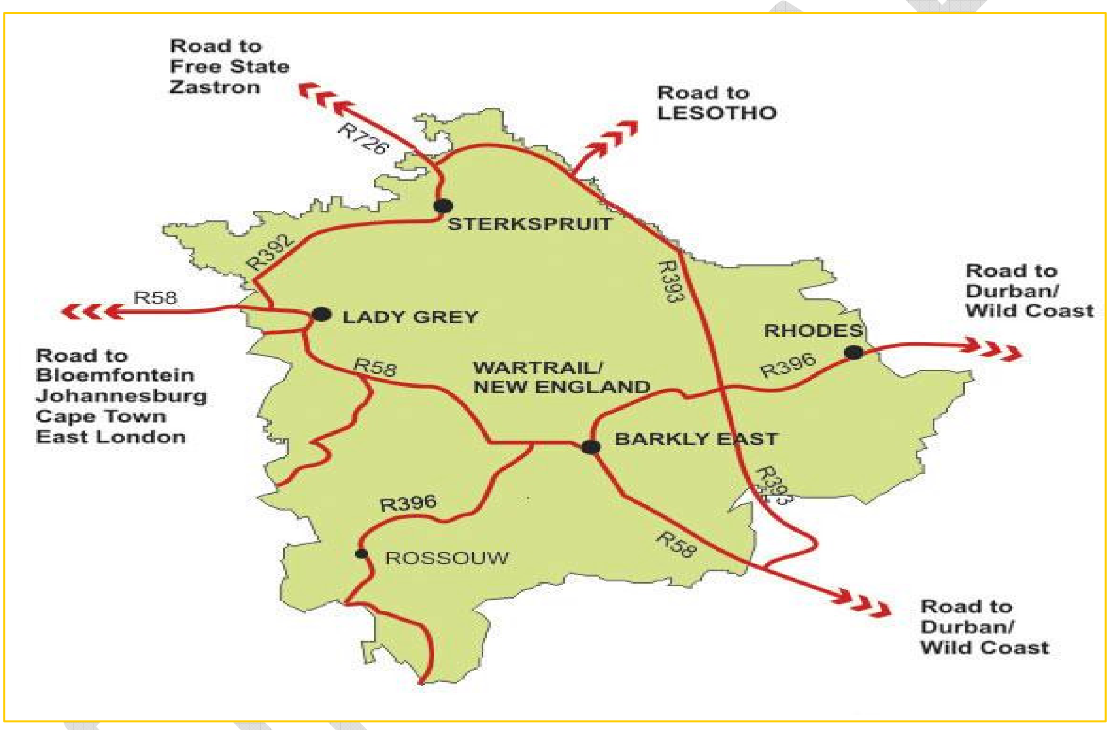
Geographical context surrounding Senqu Municipality.

GENERAL INFORMATION

1. Geographical Context and Overview of the Municipality

During December 2000, Senqu Municipality was established after the amalgamation of the following Local Authorities and towns:

• Lady Grey (including Transwilger and KweziNaledi);
• Barkly East (including Nkululeko, Fairview and LulamaHlanjwa);
• Sterkspruit;
• Rhodes (including Zakhile); and Rossouw
• Portion of Wodehouse (Dordrecht) and Indwe
Senqu Area also covers commercial farms and villages of the former magisterial districts of Barkly East, Rhodes, Herschel, Lady Grey and Sterkspruit and portions of Wodehouse (Dordrecht) and Indwe.



Senqu Municipality is the largest Municipality in the Joe Gqabi District Municipality, and spans an area of6772km2. A unique feature of this Municipality is the fact that it borders the Eastern Cape Province and Lesotho. It has beautiful mountains and beautiful rivers to lay claim to, and with many game-fishing opportunities the potential for tourism within the area is an opportunity that requires nurturing.Elundini and Sakhisizwe Municipalities are in the south of Senqu Municipality and in the west is Maletswai Municipality. To the north is the border between the Eastern Cape Province and the Free State Province. The R58 and R392 are the key transport routes through this Municipality and these then link to the N6 at Aliwal North.

The municipality has three urban nodes viz Barkly East, Sterkspruit and Lady Grey with Sterkspruit displaying the highest population growth rate. The rest of the municipality is characterised by small villages and communal and commercial farming land.

With regard to the provision of services 15 586 have no access to water which is 13.2 % of the population. 21 330 have water provision below RDP standards which means that 68.8 % have water service above RDP standards. Sanitation service levels are far lower with 53 140 (45 %) not receiving services and 65 034 (55%) receive sanitation. 62.1 % receive access to electricity provision and work is ongoing to connect households to the grid and concentrate on off grid connections to renewable sources of energy such as solar. The largest backlog is experienced with road provision. District

and access gravel roads in spite of ongoing maintenance are generally in a bad state especially in the communal areas.

DEMOGRAPHIC

Population Figures

The population has decreased since 2001 from 135 141 to 118 174 according to the Community Survey 2007. Correspondingly it appears that the number of households have increased from 33 728 to 35 107 (Statistics South Africa, 2007). This could be attributed to the fact that the average household size is decreasing.

Rural vs. Urban Population

86% of households are rural in nature (Statssa 2001) with 93 % residing near the town of Sterkspruit. The population is fairly youthful in nature with approximately 51.88 % being below the age of 20 with more women than men. This phenomena may be ascribed to migrant and commuter labour which has resulted in many households having a woman as the head of the household and the chief breadwinner living away from the home.

It is critical to note that based on current modelling it is expected that the population will be decreasing in the area due to the effects of out migration as well as due to the impact of HIV and Aids.

Age and Gender

Approximately 53.13% of the municipal population fall in the 15-65 age category, which can be regarded as the economically active sector of the population, with 41% of the population below the age of 15. The population is fairly youthful in nature with approximately 51.88 % being below the age of 20 with more women than men. This suggests continued population growth in the area with a need for education facilities and a focus on education and skills training.

The table below details the gender split, with 46.85% of the population being male and 53.15% female (Census 2001)

2001	
FEMALE	**MALE**
71 834	**63 310**

This split may be attributed to migrant and commuter labour which have resulted in many households having a woman as the head of the household, and the chief breadwinner living away from the home. This gender split will also likely impact on the type of development that may occur, especially in regard to manual labour-type employment.

EMPLOYMENT AND INCOME

Employment

Senqu Municipality's three (3) key economic sectors are Agriculture, Services and the Tourism sectors, with the latter (Tourism), having the potential to grow.

Data from the 2007 Community Survey indicates that the average unemployment rate of the Senqu Municipal area is 16%. This number only includes people that are actively searching for work. The percentage of people who are unemployed but not looking for work is 65%, compared to 54% for the district and 48% for the province.

Income Level

The Community Survey 2007 indicates that 50.25% of the population of Senqu earns no income and that a further 21.39% earn between R1 and R1600 per month. This is compared to 50.58% of the district population with no income and 59.34% of the provincial population with no income. The municipality has a high dependency ratio of 161:100, which means that for every 100 economically active people, there are 161 people who are dependent upon them for survival. This has implications with regard to the affordability of services and the sustainability of these services
It is estimated that:

- 16% actively seeking employment
- 50.25% households have no steady income
- 21.39% of population earn less than R1 600 per month

Note: This figure is below the Household Subsistence Level for the Province.

Employment Sectors

The main economic sectors in the Senqu municipal economy are community services which account for 36% of the employment, followed by agriculture with 21%. This in conjunction with the fact that about 39% of Senqu Local Municipality workforce is made up of elementary or unskilled workers makes the economy very vulnerable to external stresses.

Occupational Skills Levels

The high levels of unskilled workers corresponds with the low levels of educational facilities in the area and indicates a need for skills development and education programmes.

About 39% of Senqu Municipality's workforce is made up of elementary or unskilled workers, and this represents the largest percentage in the District. Senqu Municipality has low levels of senior management and technical staff, and these are reflected as 3% and 4% respectively. This corresponds with low levels of educational facilities in that area, and indicates a need for skills development and education programmes.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

PERFORMANCE REPORT PART 1

CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 1)

The Integrated Development Plan (IDP) determines the strategic goals and objectives according to direct feedback and involvement from the community as part of the many public participation initiatives that are undertaken.

Capital project funding for 2011/2012 is reflected as follows to accommodate service delivery areas:

Council's MIG (Municipal Infrastructure Grant) allocation increased from R 19 209 000 to R 23 102 000 for the 2011/2012financial year. It is anticipated that <u>some of the MIG allocation would be used finance</u> the following projects:

MIG FUNDED PROJECTS	
Project: Khwezi Storm Water (Phase II)	7 150 000.00
Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
Project: Constr Roads Ward 1, 2 & 3 (Ph 1)	496 335.00
Project: Sterkspruit Taxi Rank	9 738 566.00
Khwezi Naledi Sport Field Lighting	2 918 071.00
Sterkspruit Solid Waste Site	124 070.00

An amount of R 41 057 664 Capital Expenditure Ex Revenue was budgeted to fund the following projects:

Total Capital Budget for Projects		
4103	Tools & Equipment	320 500.00
4104	Infrastructure	1 500 000.00
4105	Vehicles, Plant & Equipment	3 058 000.00
4106	Furniture & Office Equipm.	890 870.00
4107	Project: Khwezi Storm Water (Phase II)	12 604 194.00
4108	Project: Constr Roads Ward 1, 2 & 3	496 335.00
4110	Project: Surfaced Roads (Phase I)	3 761 756.00
4112	Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
4118	Fleet Bay	450 000.00
4150	Project: Driver License Train Centre	1 800 000.00
4152	Community Halls	500 000.00
4153	Project: Internet / Communication	84 131.06
4157	Sterkspruit Taxi Rank (Phase 1)	11 455 780.00
4158	Project: Sterkspruit Solid Waste Site	124 070.00
4164	Khwezi Naledi Sport Field Lighting	2 918 071.00

It is anticipated that R 17 494 043 would go towards the completion of the following housing projects.

HOUSING PROJECTS	
Project: Housing - Lady Grey 1 000	1 618 897.34
Project: Housing - Herschel 700	7 094 313.68
Project: Housing - Hillside 1 000	8 780 832.00

Council further intends to take up a loan to finance the completion of the office complex. It is foreseen that R 281 615 during the 2011/2012 would be required.

Service provision remains a cornerstone of Senqu Municipality and is reflected in every aspect of its day to day functioning. Within this chapter, service delivery will examine the many areas where service delivery

has been well achieved and additionally reflect on areas that have been and/or remain a challenge. Challenges that affect service delivery will be highlighted in order that these receive required priority and attention when planning for all future service delivery initiatives.

Reporting on service provision is detailed as follows for the 2011/2012 period with specific reference to the s46 Performance Report for the same period:

3.1. <u>Water Services</u>

3.1.1 Water Services Delivery Strategy and Main Role-players:

- Water and Sanitation Services are to be provided only in the urban areas, as Senqu Municipality is a Water Services Provider (contractor) appointed until 31 July 2012 by Joe Gqabi District Municipality (as the Water Services Authority);
- All water and capital sanitation projects fall under Joe Gqabi District Municipality. Services provision within the Senqu areas and powers and functions are done by application only.

3.1.2 Levels and Standards in Water Services

It must be noted that for the most part, the level of services provided within the Water Services Provider area, is mostly of an extremely high quality with connections to the yard and the house itself. It is noted that the highest quality /standard of water is to be found in Sterkspruit and Rhodes. This is then followed by Barkly East and Lady Grey. While water is available 24 hours per day in this area of jurisdiction, many lengthy outages are experienced in the rural areas.

3.1.3 Annual Performance as per Key Performance Indicators in Water Services

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	Percentage of achievement during the year
Percentage of households with access to potable water	100%	0 13 869 H/Hs (Rural)	O – Done on request WSA (Rural)	6922 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of indigent households with access to free basic potable water	100% (urban) 32% (Rural)	0 13 869 H/Hs (Rural)	All services H/Hs receive 6kl free	6922 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of clinics with access to potable water	100% (Urban) WSA (Rural)	0 WSA (Rural)	All clinics within jurisdiction receive potable water	3 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of schools with access to potable water	100% (Urban) WSA (Rural)	0 (Urban) WSA (Rural)	All schools within the area of jurisdiction have potable water	9 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of households using buckets	Estimated at 6 % (informal areas)	2 013	WSA	2013 WSA Capital project	0%

Rural data can be obtained from the Joe Gqabi District Municipality but the estimated backlog is around 14 000 H/Hs (Estimated cost per H/H is R 2 500= R 35 000 000, excluding treatment)

<u>Additionally, the following achievements are noted</u>:

- Water purified 1 368 262 Kl (1.4 Ml) on available metering
- Pumping power usage= 427 727 Kwh
- Water faults reported and attended to: 916
- Water meters replaced/serviced: 10
- New water connections: 7
- Water breaks attended: 533 (of which 317 occurred in Barkly East)

- Ongoing maintenance occurs
- Senqu Municipality was officially appointed as the Water Services Provider (contractor) by the Water Services Authority (Joe Gqabi District Municipality) until 30 June 2012.
- Plans were put into place for the upgrading of the Lady Grey WTW by the WSA
- Damage to the Lady Grey Dam was repaired and the dam safety brought up to standard.(Due to vandalism)
- Safety inspections were done on the Lady Grey and Witfontein dams.

3.1.4 Major challenges in water services and remedial actions

Challenges are many and are reflected as follows:

- A permanent Water Treatment Works is required in Barkly East and Joe Gqabi District Municipality will be required to budget and implement.
- Lady Grey's Water Treatment Works is urgently in need of an upgrade and this is currently within the planning phase.
- The Lady Grey Bulk Water Supply was required to be implemented as a matter of urgency.
- Every effort is required to be made to capacitate staff through increased training efforts to ensure that competent staff are employed;
- Backlogs in water are required to be addressed and funding is required to be obtained to legalize illegal connections;
- While improvements in procurement turn-around time have occurred Supply Chain Management practices have proven to be impractical and detrimental to facilitating service delivery, especially where the availability of service providers is concerned.
- Funding for infrastructure development within the Barkly East and Rhodes reticulation networks is required.
- Section and bulk metering is required to be urgently installed and soon as it possible in order to achieve accurate water balancing;
- Vehicles are required to be budgeted for and provided by Joe Gqabi District Municipality in order to ensure required service delivery;
- Efforts and budget are to be made available to investigate the long-term efficiency of bulk water supply. Rossouw is experiencing severe water shortages,
- Similarly efforts are to be made to rehabilitate the bulk water supply in Rhodes and more specifically, investigation is required to be conducted into the Bell River extraction point in order to examine the possibility of raising the weir, in order to compensate for drought conditions, anti-silting measures and installation of centrifugal pump stations.
- The Lady Grey Dam has a weir that urgently requires clearing of silt, so as to prevent additional silt entering into the Dam and to increase the lifespan of the Dam – Additionally, this presents an ideal job creation project and opportunity.
- There are an insufficient number of fire hydrants throughout the towns of Sterkspruit, Lady Grey, Barkly East, Rhodes, Rossouw and Herschel in order to reduce potential disaster and risk. Suitably situated fire hydrants are required.
- Water pressure and storage problems exist in Lady Grey and this may only be alleviated if a reservoir (of at least 1.5m) is erected below the Water Treatment Works to ensure a sufficient water reserve and to reduce pressure problems in higher parts of town.
- The lack of movement in the Orange River Macro Water Scheme has resulted in the need for Joe Gqabi District Municipality to allocate a political and administrative champion to facilitate funding for this project;
- Water pressure problems in Rhodes have resulted in the need to create a ring main pipe to increase pressure in Rhodes at higher points;
- The lack of capital funding for network extensions needs to be addressed by Joe Gqabi District Municipality (as this is retarding local development)
- Capital funding is required for spares purchases and is required to be budgeted for at a local level in order to purchase spare pumps, motors, meters and the like;
- Dams are required to be fenced and water sources protected in order to protect water supplies from contamination and safety. This will be required to include signage and also has the potential for job creation. Effectively access to water sources by people and livestock is required to be formalised.
- Land issues in Sterkspruit regarding reservoir construction encroachment needs to be resolved by the WSA and agreement as to the way forward achieved. (which may include a land swap).
- WSP and WSA contracts are required to be revised in order to accommodate proposed changes in the Joe Gqabi bulk services takeover. This proposed takeover raises a number of issues which include:
  - It is felt that the entire service (not just bulk) should be run in its entirety by either WSA or WSP as a split function is impractical.
  - A review of the organogram to accommodate the municipality becoming the WSA (as they are currently approached re – all issues and complaints by communities
  - The proposed takeover of bulk services to be addressed in the Service Level Agreement (Transfer Agreement)

- Improved communication between the WSA and WSP, so as to avoid duplications, and unnecessary overlaps in functions. All correspondence to be forwarded to WSP from WSA.

3.2 Electricity Services

3.2.1 Electricity Services Delivery Strategy and Main Role-players

In terms of Senqu Municipality's licence agreement with the National Energy Regulator of South Africa, it is responsible to supply electricity to Sterkspruit, Lady Grey and Barkley East.

3.2.2 Level of standards in Electricity Services

Within this licenced area, the level of service supplied is very high and consumers all have a minimum of a 60A single phase supply. The standard of service is at present mediocre but is improving annually.

It is noted that the rural areas (including Rhodes and Herschel) are supplied by ESKOM. Rossouw is provided with electrical supply with the exception of the SAPS.

3.2.3 Annual performance as per Key Performance Indicators in Electricity Services

Rural data may be obtained from Eskom but estimated backlog is at 12 000 H/Hs (estimated cost of R 4000/H/H = R 48 M required. Rural Free Basic Services = 11 498. (32%)

Annual Performance for 2011/2012 as per Key Performance Indicators in Electricity Services as per powers and functions

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achieved during the year
% of households with access to electricity services	Est 95% in urban Est 68% in rural	923 in urban (new housing projects) Estimated 11 500	0 367	400 new connections 385 (Rural)	100%
Percentage of indigent households with access to basic electricity services	100% of applicants (Urban) 100% of applicants (Rural – 22.5%)	0 11 498(Rural)	847 (47% of total consumers-Urban)	847 (Urban) 11498 (Rural)	100%
Percentage of indigent households with access to free alternative energy sources	1% (Urban – Rossouw pilot Project (Paraffin & candles)	0	85	85	100%

Rural data may be obtained from Eskom but estimated backlog is at 12 000 H/Hs (estimated cost of R 4000/H/H = R 48 M required. Rural Free Basic Services = 11 498. (32%)

ELECTRICITY BACKLOGS

Electricity backlogs (50KWH/Month)	30 June 2011			30 June 2012		
Backlogs	**Required**	**Budgeted**	**Actual**	**Required**	**Budgeted**	**Actual**
Backlogs to be eliminated (No. Households not receiving the minimum standard service	0 (Urban) Eskom Rural (Estimated at 12 000)	0 4 570(Rural)	0	7 300 (urban)	0 (urban) 6736 (Rural)	0 (urban) 4 340 (Rural – Eskom)
Backlogs to be eliminated (% total households identified as backlog/total number of households in the municipality)	0	0	0	2.5% of urban (housing projects recently completed) Est at 35% in rural	0 (Application to be made in new year)	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	27 000 (Urban)	4 100 (Urban)	4 355 (Urban)	12 000	1513 (Urban)	752 (Urban)
Total spending to eliminate backlogs (R000)	0	0	0	12 000	1513 (Urban)	752 (Urban)
Spending on maintenance to ensure no new backlogs (R000)	25 000 (Urban)	22 523 (Urban)	18 887 (Urban)	30 000 Rural – Eskom-Unknown	30 977 (Urban) Rural-Eskom - Unknown	24 286 (Urban) Rural-Eskom-Unknown

In terms of achievements, the following issues are noted:

- 6000 solar geysers were installed in indigent housing projects in 2010/2011
- Free basic energy reaching rural households is estimated at 35%;
- There is free basic energy provided in Rossouw with 65 households receiving 20 L of paraffin, and 12 candles per month;
- 367 new rural connections were completed
- There are 1280 Domestic consumers, 239 Commercial consumers; 27 Institutional consumers and 12 other consumers. A total of 1558 consumers of electricity.
- 694 Urban consumers receive FBS (*50 kwh);
- 33 new connections were conducted;
- 454 meters were serviced;
- 653 street lights were repaired;
- Electricity bulk purchases from Eskom amounted to 25 179 866 kwh (25.1MWh);
- Electricity sold amounted to 20 378 797 kwh;
- 217 faults were attended to;
- 1st year of Electrical Loss Plan is proving successful andElectrical losses dropped.Electricity losses have dropped to 14.91 (Taking into account 10% Technical Losses). Cost of units lost are considered to be fruitless expenditure and amounts to R 742 700;
- 377 consumers were disconnected; and

- 7 illegal connections dealt with.

3.2.4 Major Challenges in Electricity Services and Remedial Actions

Challenges and remedial actions required are detailed as follows:

- Electricity losses are extreme and can be attributed to poor metering, poor networks and incorrect accounts.In an effort to remedy these issues a 3-year plan is to be implemented in order to reduce electricity losses to 10% within the next 2 years. Ageing infrastructure remains a huge challenge and clearly adds to these issues of concern.
- Council is required to increase its maintenance budget;
- ESKOM is addressing electricity backlogs in the rural areas far too slowly (especially in non-grid areas) and increased funding is required to resolve these issues faster;
- Lack of funding has resulted in the inability to appoint a full staff complement;
- Supply chain processes have impeded service delivery, and the appointment of suitable service providers in keeping with rural challenges;
- Performance Management is required to be cascaded to all levels to improve levels of functioning; and
- Staff shortages are exacerbated by the scarce skills issue.

3.3 <u>Sanitation</u>

3.3.1 Sanitation Services Delivery Strategy and Main Role-Players

Senqu Municipality fulfills the function of a Water Services Provider in the urban areas of Sterkspruit, Lady Grey, Barkly East and Sterkspruit. Senqu Municipality has been appointed as such until 30 June 2012 by the Joe Gqabi District Municipality, who are the Water Services Authority.

3.3.2 Level and Standards in Sanitation Services

The level of services provided in the WSP area is mostly of high level (water borne) in the urban areas but there are still VIPs and buckets to be found within the informal areas. It is to be noted that the standard of the service is mediocre due to constant plant down time.

3.3.3 Annual Performance as per Key Performance Indicators in Sanitation Services

Annual performance in terms of the key performance indicators within the sewerage services in the WSP authorised areas is detailed as follows in terms of powers and functions:

- Ongoing Operation and Maintenance
- Complaints reported and attended to
- Sewer blockages attended to
- New connections completed
- Conservancy tanks emptied
- Informal buckets removed
- Bacterial inoculant purchased and utilized
- Water borne sewer reticulation is being installed in Kwezi Naledi by the Joe Gqabi DM, and
- An ongoing programme has been implemented by the Joe Gqabi District Municipality to ensure all rural households receive VIPs'.

<u>More specifically</u>:

Operation and Maintenance	2011/2012
• Complaints reported and attended to	1116
• New Connections	8
• Conservancy tanks emptied	711 (3200)kl)
• Informal buckets removed	5 223

Annual Performance as per Key Performance Indicators in Sanitation Services <u>(in authorised area in terms of powers and functions)</u>

<u>Sanitation Services Performance is formally reflected for 2011/12 as follows:</u>

	Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achievement during the year
	Percentage of households with access to sanitation services	100% (Urban) 47%(Rural)	0 (Urban) 19 080 H/H (Rural)	0 (Urban) WSA (Rural-Unknown)	2345 (Urban) WSA (Rural)	100% (Urban) WSA (Rural-Unknown)
	Percentage of indigent households with access to basic sanitation services	100% (Urban) WSA - 47%(Rural)	0 (Urban) WSA19 080 (Rural)	0 (Urban) WSA (Rural Unknown)	446 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
	Percentage of clinics with access to sanitation services	3(Urban) WSA (Rural-Unknown)	0(Urban) WSA (Rural)- Unknown	0(Urban) WSA (Rural-Unknown)	3(Urban) WSA (Rural-Unknown)	100% (Urban) WSA (Rural-Unknown)
	Percentage of schools with access to sanitation services	100% (Urban) WSA (Rural-Unknown)	0 (Urban) WSA (Rural-Unknown)	0(Urban) WSA (Rural-Unknown)	8 (Urban) WSA (Rural-Unknown)	100% (Urban) WSA (Rural-Unknown)

Rural data may be obtained from the Joe Gqabi District Municipality but backlogs are estimated at 19 080 H/Hs. (Est Cost & R 7 000 ea = R 143 100 000)

BASIC SERVICE DELIVERY BACKLOGS: SANITATION						
Sanitation backlogs	**30 June 2011**			**30 June 2012**		
Backlogs	**Required**	**Budgeted**	**Actual**	**Required**	**Budgeted**	**Actual**
Backlogs to be eliminated (No. Households not receiving the minimum standard service)	0 – urban 500 informal & 16920 rural WSA	WSA-Unknown	WSA-Unknown	3 750 – Semi Formal WSA	WSA-Unknown	WSA-Unknown
Backlogs to be eliminated (% total households identified as backlog/total number of households in the municipality	WSA _Est 1.5% on informal urban and 47% rural	WSA	WSA	WSA	WSA	WSA
Spending on new infrastructure to eliminate backlogs (R000)	WSA-Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown
Spending on renewal of existing infrastructure to eliminate backlog (R000)	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown
Total spending to eliminate backlogs	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown	WSA Unknown
Spending on maintenance to ensure no new backlogs (R000)	8 500(Urban) WSA (Rural-Unknown)	8 479(Urban) WSA (Rural-Unknown)	7 569 WSA (Rural-Unknown)	9 000 (Urban) WSA (Rural-Unknown)	9 922 (Urban) WSA (Rural-Unknown)	8 872 (Urban) WSA (Rural-Unknown)

3.3.4 Major Challenges in Sanitation Services and Remedial Actions

Major challenges are listed as follows:

- Bucket eradication in un-formalized areas:
  These areas need to be formalized and registered as housing projects.

- Sanitation ponds are urgently required within the rural areas.
  This will require funding within the future in order to facilitate shorter distances for the disposal of sewerage from conservancy tanks.

- Tractor/trailer replacements are urgently required & LDVs' are required in order to fulfill maintenance needs.These are required to be budgeted for as a matter of great urgency.

- Supply Chain Management is at times impractical. It is recommended that senior management re-look at these processes and systems in order to revise these regulations so that they are more suited to rural circumstances, where service providers are few and far away, resulting in funds that could benefit the local community leaving the already indigent area.

- Old ponds in Barkly East require upgrading. The Joe Gqabi District Municipality is required to budget for this as a matter of urgency.

- Old ponds in Lady Grey require upgrading and Joe Gqabi District Municipality needs to budget for this as a matter of urgency.

- Urgent upgrades of the disposal works in Sterkspruit are required
  The Joe Gqabi District Municipality is required to budget for this as a matter of great urgency.

- No measuring flumes have been installed
  The Joe Gqabi District Municipality needs to budget for this as a matter of urgency.

- Upgrade of old ponds in Barkly East.
  The Joe Gqabi District Municipality is required to budget for this as a matter of urgency.

- Sufficient ground is required for irrigation of effluent in Sterkspruit.
  The Joe Gqabi District Municipality is required to investigate and fund this as soon as possible.

- The WSP/WSA contract is required to be redefined in respect of bulk service takeover by the Joe Gqabi Municipality (as in Water).To be addressed urgently.
- Safety & security upgrade at all WWTW (As in Water) to be addressed formally moving forward.

3.4 <u>Road Maintenance</u>

3.4.1 Road Maintenance Services Delivery Strategy and Main Role-players

Senqu Municipality is responsible for all access and municipal roads and it is noted that the balance of roads falls under the powers and functions of the Department of Roads and Public Works (DoRPW).

3.4.2 Level and Standards in Road Maintenance Services

Due to insufficient resources it is acknowledged that the level of road services in rural areas is low. In essence gravel roads prevail with the exception of the Mokhesi Taxi Route (surfaced) and the Musong Road (currently being surfaced) – funded by DoRPW. The department is responsible for maintenance on all roads that are numbered (in respect of provincial and district roads).

In an effort to resolve these challenges, the Ward Councillor has identified the roads within the Ward requiring attention and has detailed a programme for the Roads Team of 3 months, incorporating a rotational work programme.

3.4.3 Annual Performance as per Key Performance Indicators in Road Maintenance Services

Annual Performance for 2011/2012 as per Key Performance Indicators in Road Maintenance Services <u>as per powers and functions:</u>

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Household s/ customers reached during the Financial Year	% of achieve-ment during the year
% of households without access to gravel or graded roads	Estimated at 76%	27232 H/Hs	24 km (Est 2000 H/Hs)	33.5 Km (1675 H/H)	100%+
% of road infrastructure requiring upgrade	Est 76%	522 km	24km	33.5 Km (1675 H/H)	100%+
% of planned new road infrastructure actually constructed	100%+	562km	24km	33.5 Km (1675 H/H)	100%+
% of capital budget reserved for road upgrading and maintenance effectively used	100% (Construction) 100%. (Maintenance)	R7 066 utilised (Construction) (100%) R388 394 (97%) utilized (Maint.)	R7 062 (Construction) R400 000 available (Maintenance)	1675 H/Hs	100%+

Further information on provincial roads is available from the Department of Roads & Public Works. Gravel roads backlog in Senqu is 522 km (Estimated cost km for gravel is R 500 000 = R 261 000 000 and excludes escalation)

Further information on provincial roads is available from the Department of Roads & Public Works. Gravel roads backlog in Senqu is 562 km (Estimated cost km- for gravel is R 350 000 = R 196 700 000 and excludes escalation)

ROADS MAINTENANCE BACKLOGS

Road Maintenance Backlogs	30 June 2011			30 June 2012		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Backlogs to be eliminated (no. households not receiving the minimum standard service)	32 684	2 000	2 664	261 000	7 062	7 066
Backlogs to be eliminated (% total households identified as backlog/total number of households in the municipality)	87%	6%	8%	83%	5%	5%
Spending on new infrastructure to eliminate backlogs (R000)	197 700	30 200	25 216	261 000	7 062	7 066
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Estimated at R 55 000	0	0	58 000	400	389
Total spending to eliminate backlogs (R000)	197 700	38 808		58 000	400	389
Spending on maintenance to ensure no new backlogs (R000)	25 000	4 087	3 373	58 000	400	389

A certain amount of success has been achieved within this Division and this is detailed as follows:

- Achieved605 km gravel Road in Kwezi Naledi and 71 Relief staff were hired in order to achieve this;
- Achieved the required construction of Roads &Stormwater targets in Sterkspruit;
- 127 m of new stormwater crossings were installed in rural areas;
- 43 km of side drains were maintained;
- 123 catch pits were cleaned;
- 1456 potholes were repaired and thus over achieving on this target; and
- 19 km of Senqu internal Roads were rehabilitated& maintained; and
- Backlog targets were fully achieved. Contractors are required to complete minor defects (as per snag list)

3.4.4 Major Challenges in Road Maintenance Services and Remedial Actions

Many challenges are apparent and these are detailed more specifically as follows:

- Insufficient funds to address all the roads backlog resulting in the need for additional conditional grant funding (MIG).
- The need to resurface Department of Transport roads within towns is ensuring appropriate allocation of DoRPW funding.
- The tremendous challenges imposed by the manner in which procurement (SCM) is handled and efforts to address its limitations are to be made;
- The need to develop and implement an Assets Maintenance Strategy that is integrated with DoRPW. Funding to be obtained and Service Level Agreement entered into;
- The issue of insufficient plant/operators must be addressed through the provision of adequate training to contract labour with the intention to provide employment opportunities to fill the gaps; and
- Funding constraints only allowed the erection of 24 signs as opposed to the planned erection of 36 signs.

Storm Water (considered as part of roads)

a. **Stormwater Maintenance Services Delivery Strategy and Main Role-players**

Senqu Municipality is responsible for the installation of storm water systems within the area.

b. **Level and Standards in Stormwater Services**
The level and standard of service for storm water removal is very low with most being of un-lined nature, due to cost.

c. **Annual Performance as per Key Performance Indicators in StormwaterServices as per powers and functions**

- Achieved the required construction of Roads &Stormwater targets in Sterkspruit;
- 127 m of new stormwater crossings were installed in rural areas;
- 43 km of side drains were maintained;
- 123 catch pits were cleaned;
- 1456 potholes were repaired and thus over achieving on this target; and
- 19 km of Senqu internal Roads were rehabilitated& maintained; and
- Backlog targets were fully achieved. Contractors are required to complete minor defects (as per snag list)

d. **Major challenges in the roads department re stormwater issues and remedial actions**:

- A Stormwater Master Plan for the entire Senqu Municipal area is required to be developed.
  Accordingly funds are required to be made available to investigate the entire area (villages & towns) in order to obtain a sustainable long term implementation plan.

- Kwezi Naledi still has an internal storm water problem requiring further funding due to development.
  A further MIG project is required to be registered in order to complete this project.

- The Nkululeko requires a storm water upgrade as does Fairview.
  MIG projects are required to be registered in order to address these areas.

- Lady Grey as the town has a large storm water challenge.
  The Council is required to address this matter through the Job Creation project but this will require further funding for capital and professional services.

- Supply Chain Management impractical
  Management is required to re-look at this urgently and revise the regulations in order that they are to be more suited to rural circumstances i.e. to cater for situations where service providers are few and spread out. Efforts to be made to secure funds for job creation/ capacity building that could benefit the local community who are currently leaving the already indigent area.

- Urban renewal

  All sidewalks are required to be paved creating storm water control and job creation.

- Unlined storm water channels are not sustainable
  It is to be noted that storm water channels are required to be lined or stone pitched, in order to be sustainable, and thereby creating efficiency and jobs

Water Services and Backlogs for 2011/2012 are reflected as follows:

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achieve-ment during the year
Percentage of households with access to potable water	73%- 26 280 (Rural)	9720 H/Hs(Rural)	O – Done on request WSA(Rural)	8651 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of indigent households with access to free basic potable water	100% (urban) 73% (Rural)	0 9720 H/Hs(Rural)	All services H/Hs receive 6kl free	8651 (Urban) WSA (Rural)	100% (Urban) WSA (Rural)
Percentage of clinics with access to potable water	100% (Urban) WSA (Rural)	0 WSA (Rural-Unknown)	All clinics within jurisdiction receive potable water	3 (Urban) WSA (Rural-Unknown)	100% (Urban) WSA (Rural-Unknown)
Percentage of schools with access to potable water	100% (Urban) WSA (Rural-Unknown)	0 (Urban) WSA (Rural-Unknown)	All schools within the area of jurisdiction have potable water	9 (Urban) WSA (Rural-Unknown)	100% (Urban) WSA (Rural-Unknown)
Percentage of households using buckets	Estimated at 6 % (informal areas)	2 013	WSA	2013 WSA Capital project	0%

WATER SERVICES BACKLOGS

BASIC SERVICE DELIVERY BACKLOGS: WATER SERVICES						
Basic Service Delivery Area		30 June 2011		30 June 2012		
Water backlogs (6KL/month)	**Required**	**Budgeted**	**Actual**	**Required**	**Budgeted**	**Actual**
Backlogs to be eliminated (No. HH not receiving the minimum standard service)	WSA (9720)	WSA	WSA	WSA	WSA	WSA
Backlogs to be eliminated (% total household identified as backlog/total number households in the municipality	WSA(27%)	WSA	WSA	WSA	WSA	WSA
Spending on new infrastructure to eliminate backlog (R000)	WSA Unknown	WSA	WSA	WSA	WSA	WSA
Total spending to eliminate backlogs (R000)	0 (Urban) WSA Unknown	WSA	WSA	WSA	WSA	WSA
Spending on maintenance to ensure no new backlogs (R000)	7 595 (Urban) WSA (Rural)	7 595(Urban) WSA (Rural)	6 415 (Urban) WSA (Rural)	9000 (Urban) WSA (Rural)(200M+)	8 685 (Urban) WSA (Rural)	8 080 (Urban) WSA (Rural)

3.5 Waste Management

The municipality experiences a number of waste management challenges, particularly in respect of the management of waste sites. This is particularly evident in Sterkspruit which generates the largest amount of waste.

Consultants have recommended that Rhodes and Rossouw should become transfer stations (Jeffares and Green consultants as per appointment by the National Department of Environmental Affairs). Notwithstanding, our particular challenge is the fact that these two settlements are too far from the nearest waste site and the roads are not in the best condition. As a result this would render this process ineffective in terms of cost, as vehicles are currently not suitable to carry waste for these long distances.

Additionally, the Sterkspruit waste site project has been delayed due to delays experienced in obtaining land from the rural areas (due to the serious land tenure problems.

Illegal dumping is experienced, particularly in the townships. In an effort to manage this issue and following the appointment of the Waste Management Officer, Senqu Municipality has embarked on Waste Management Programmes, with the view to changing the mind-set and behavioural practices of all the communities.

Participation has occurred within the district, provincial and national competitions which are related to maintaining the environment and it is noted that during the year under review Senqu Municipality was placed first in the district and third in the provincial competition, despite the challenges that were faced at that point in time.

3.5.1. Waste Management Services Delivery Strategy and Main Role-Players

Senqu Municipality adopted an integrated Waste Management Plan originally in 2005 this is expected to be updated within the next financial year, although budget provisioning is required to appoint service providers to develop a new plan.

3.5.2. Level and Standards in Waste Management Services)

The municipality offers a high level access to waste in Sterkspruit, Barkly East, Lady Grey and Rhodes, where waste is collected from households weekly and businesses weekly or when requested during festive season. Rossouw and Herschel are not receiving any service except for the provision of exposure to cleaning campaigns. During the next financial year it is hoped that the organogram would make provision to include personnel for these two settlements (particularly Herschel which is fast growing). In the absence of personnel temporary workers are utilized to attend to litter.

Annual Performance as per Key Performance Indicators in Waste Management Services

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achievement during the year
% of households without access to refuse removal services	46.7	31 155	4613	4613	100%

3.5.3. Major Challenges in Waste Management Services and Remedial Actions

A number of challenges relating to waste management are currently experienced. These may be summarized as follows:

- Equipment and infrastructure is ageing and this is required to be replaced. Plans to purchase vehicles and equipment are to be phased in over a 5-year period. Within this financial year a small tip truck for each of the major towns has been purchased (i.e. for Sterkspruit, Lady Grey, Barkly East and a TLB for the management of the waste site). It is acknowledged that the TLB is not entirely suited for this environment and tires are frequently punctured at the waste site and very high costs are incurred in an effort to fix these and to purchase additional tyres.

- An inadequate staff complement with a shortage of staff and specialized personnel to deal with waste and environmental issues remains a challenge. Most of these personnel have no basic education, and it is required that they be sent to basic ABET to facilitate further training (in the best practices of handling waste).

- Absenteeism is unusually high due to illnesses which may to a large degree be attributed to HIV/Aids.

- Currently, only two waste sites are functional. However it is noticed that these are not correctly managed due to lack of equipment and the level of education of staff.

- EIA not approved for new solid waste sites. It is recommended that this target be re-defined and that funding be channelled elsewhere. As highlighted within the AFS: the fact that the municipality does not have a permit or license for all of the landfill sites currently, could result in liability for a penalty in terms of section 24G of the Environmental Conservation Act.

- Funding constraints have prevented the Waste Awareness Campaign from being launched; the recycling project in Sterkspruit and Barkly East being implemented; and the Rhodes Compost Project being implemented.

3.6. Housing and Town Planning

3.6.1. Housing and Town Planning Services Delivery Strategy and Main Role-Players

Senqu Municipality is not currently a credited housing provider. As such, the role of the municipality in respect of housing delivery is simply to forward any applications received from the community to the Department of Human Settlement and to co-ordinate the process by acting as a liaison between the municipal residents and the Department.

The housing unit forms part of the newly instituted IPME department. This unit was formerly part of the Technical Services Department. This unit currently has three staff members, comprising: two (2) housing clerks and one (1) project manager.

It is to be noted that housing needs and future projects are determined by the Housing Sector Plan which was developed by the Department of Human Settlement in 2007. It must be noted that the municipality never formally adopted this plan, as it was felt that information on which it was based was not an accurate reflection of the needs at that time.

With regard to town planning services it must be noted that the municipality has no town planning post available. Notwithstanding, the municipality's newly appointed Director of IPME is a registered Town Planner and as a short

term solution, he provides assistance to the municipality in this regard. Moving forward, it must be noted that there are plans to create a combined Town Planning / Building Inspector's post.

Building plans and town planning applications are received in the various urban area offices of Senqu i.e. Barkly East, Lady Grey and Sterkspruit and these applications are then forwarded to the office of the Director in order to be processed. All of the major urban areas in Senqu have zoning schemes.

3.6.2. Level of Standards in Housing and Town Planning Services

As the municipality is not an accredited Housing Service Provider, no performance measures are set for the provision of housing. Instead the focus is on the performance of staff and how well they provide their role of co-ordination and liaison between the community and the Department of Human Settlements. Reporting is well conducted and in accordance with all prescriptions and the beneficiaries list is well maintained.

The municipality monitors the implementation of housing projects and reports any badly built or inappropriate structures to the Department for rectification. The performance of building contractors is also assessed and reported on monthly.

3.6.3. Annual performance as per key performance indicators in housing and in town planning services

Building and zoning plans 2011/2012

Applications outstanding 1 July 2010	Category	Number of new applications received June 2011	Total value of applications received Rand	Applications outstanding 30 June 2012
0	Residential new	620 RDP Houses	R55706.00 Each	0
0	Residential additions	28	R3562220	0
0	Commercial	3	R1724537	0
0	Industrial	6	R1720 000	0
0	Other (specify) rezoning for church	2 Churches	R1.500000	0

Town planning functions are provided to a limited degree by the municipalities newly appointed Director of IPME (who is also a registered Town Planner – a short term solution to the lack of a town planner within this post. Services are driven by need and applications are assessed and approved accordingly.

In terms of performance targets achieved for 2011/2012 the following statistics apply:

Indicator Name	Total Number of household/ customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the Financial Year under review (actual numbers)	Numbers of Households/ customers reached during the Financial Year	% of achievement during the year
30% of households living in informal settlements	1596	30.000	1896	250	5%
Percentage of informal settlements that have been provided with basic services	20%				
Percentage of households informal housing that conforms to the minimum building standards for residential houses	40%				

3.6.4. Major challenges in housing and town planning services and remedial actions

There are many challenges experienced in the delivery of housing. One of the major challenges is the lack of understanding surrounding the various types of housing subsidies available. At present only a few of the options are being utilised within the municipality. This is due to a lack of understanding regarding the various types of housing subsidies available and this in turn may be attributed to the highly technical nature of the literature which is not easily understood by all departmental staff. As a direct result, the municipality does not always receive the appropriate type of housing for the presenting situational needs.

Due to the remoteness of the area and the limited supply of jobs, a high rate of migration away from this area occurs on a seasonal basis, which in turn makes it difficult to track housing beneficiaries. Many hours of official time are utilised in this manner, to the municipality's detriment and this causes many project delays as a result.

Another area of concern relates to the limited skills of the sub-contractors. Many of these sub-contractors have limited knowledge regarding "job – costing" and lack of required practical experience which facilitates the **timeous delivery** of a "quality product". In order to remedy this situation, a consolidated effort is required from the departments concerned together with structured SMME development, in order to work with the municipality to capacitate these sub-contractors.

At this point, the prime stumbling block to development in the area (especially the urban area of Sterkspruit), is lack of access to freehold land. Much of the land available for development is now in communal land tenure areas, which in turn creates tension between the traditional and municipal authorities over land administration. As a direct result of the confusion and disputes about who has the right to administer land, many persons take advantage and "land invasions" occur on a regular basis. The municipality is then required to spend large amounts on legal fees in efforts to prevent this from successfully occurring and resources are then diverted from areas which would be more beneficial to the municipality. This remains a "burning issue" and one which the municipality is not able to resolve without the intervention of national and provincial governance.

The lack of town planning and housing staff in all urban areas results in a situation where many by - laws are ignored or circumvented. Consequently the municipality often finds itself trying to rectify events after they have occurred. It is acknowledged that the only real solution would be to educate residents on the by-laws and encourage adherence or reporting of offenders. It is strongly suggested that all municipal staff should be trained on these by- laws in order to equip them with much needed knowledge to be able to report offenders to the IPME Department for the necessary action to be taken.Town planning services are provided on a need basis and applications are assessed and approved accordingly.

3.7. Spatial Planning

Senqu local municipality is predominantly rural, with a large proportion of people residing in traditional villages and traditional homes.

The prevalence of extensive farming in the district historically, resulted in the formation of service centres – as evidenced within Barkly East and Lady Grey (along the main transport routes). These urban centres offer services and retail facilities to the surrounding rural hinterland. Sterkspruit is a rural service centre serving the surrounding rural area and also some residents from Lesotho.

With urban settlement growth comes the need to improve the central business districts of these areas so that they can facilitate growth (usually retail and manufacturing).

There is also a demand for housing (low cost and middle income) in these areas. The past five years have only resulted in housing being provided for lower income communities and there is a significant shortage of middle income housing, especially in the secondary towns.

The existing urban areas and rural/peri-urban settlements in Senqu are typically, spatially fragmented in nature.
This spatial fragmentation creates a costly and inefficient settlement pattern, particularly in the urban areas, where levels of services are commonly of a higher order.

A key challenge is to maintain the balance of urban development with the rural development, in order to reduce the pressure on urban areas and ensure that productive agricultural land is utilised.

Urban areas have been divided into the following urban nodes:

Sterkspruit - High order service centre and retail node. Sterkspruit serves both the urban centre and the surrounding rural communities. Good linkages between rural settlements and Sterkspruit are important. Approximately 93% of the municipal population live in the Sterkspruit area.

Lady Grey - Administrative node, small service node and tourism node

The base of the Senqu Municipal offices, this town is distanced from major industrial and/or commercial urban centres as well as major inter-provincial road linkages. Its locational disadvantage has resulted in an inability to attract much industrial investment or any significant regional urbanisation focus. The town retains its historical function as a service node secondary to Aliwal North, within a largely rural sub-region.

Barkly East - Tourism node, minor commercial service centre and administrative node.

With scenic beauty and niche tourism opportunities, this is the home of some small commercial businesses and financial service institutions and the headquarters of the Joe Gqabi District Municipality.

Rhodes - Minor service centre and tourism node.

This provides a service centre to the surrounding hinterland and gateway to the Drakensberg

Rossouw - Minor service node

This provides a service centre to the rural hinterland.

Preparation and approval process of SDF

The Senqu SDF was reviewed and adopted in May 2009. The review of the strategies and objectives of the SDF occurred in December 2011. Reporting is conducted relatively efficiently and monthly urban inspection reports are compiled and provided as required.

The main thrust of the SDF is reflected as follows:

Within the rural settlement areas, focus is required to be placed on creating a programme of local planning, which should inform the establishment of appropriate institutional arrangements that would oversee and manage land use decisions in these areas. The overall objective is to minimise settlement sprawl and to ensure wise land use practices to prevent further land degradation within these areas.

From a spatial perspective, Sterkspruit must be regarded as a priority, due to its proximity to the densest areas of settlement within the municipality. The functioning and performance of the Sterkspruit urban area must be enhanced in order to encourage further commercial activities. The spatial development emphasis in this regard should be placed on: -

(i) Ensuring an efficient urban form and the consolidation of the fragmented settlement pattern prevailing in Sterkspruit in the medium term; and

(ii) Ensuring adequate linkages between the main settlement components of Sterkspruit, Herschel, Qoboshane/ Palmietfontein, Majuba - A, Hillside - E and Upper Telle - A and surrounding rural settlement areas.

The fragmented and sprawling nature of land use that characterises the rural settlement areas in the former Transkei elements of the Senqu area represent a major challenge to appropriate land use management. The nature of the land use arrangements in these areas is complicated by the historically complex tenure arrangements there, and the lack of appropriate planning, which reflects the livelihood needs of the residents of these areas.

Senqu is attempting to implement the SDF objectives by focussing the greater share of its budget on improving the infrastructure in Sterkspruit such as roads, waste management, water and sanitation treatment works.

3.8. Land Use Management

In an effort to curtail land invasions and to facilitate the effective use of land, it was required that workshops and meetings be conducted with stakeholders by October 2011. This target was not achieved and is an issue that must be treated as a priority moving forward.

3.8.1. Major challenges in spatial planning services and remedial actions

Severe challenges are created by the differing land legislation which is currently applicable within the various areas of Senqu Municipality. This poses a major burden for land administration in that certain Bantustan legislation still applies to the urban areas which are experiencing major growth. In addition it is noted that certain departments which used to administer some repealed legislation (such as the issuing of Permission to Occupy – PTO Certificates) have continued with this function. This has been repealed in respect of residential and business sites. This “informal” land administration system poses a major challenge to Senqu Municipality, which is assigned the function of managing land use in such areas. These issues cannot be resolved by Senqu Municipality itself and the assistance of national and provincial departments and politicians are urgently required.

There are generally low levels of disposable income. This translates into low levels of affordability in terms of service provision, as well as poor road infrastructure and linkages between the rural settlement areas and the main economic centre of Sterkspruit. Additionally the unequal distribution of resources in the past has resulted in infrastructural backlogs in the former homeland areas and this in turn has resulted in insufficient development and maintenance of existing infrastructure in the former RSA areas.

Land invasions have not been curtailed as already indicated.

Reviewed policies were not reviewed and tabled to Council as required (budget and capacity issues)

3.8.3. Indigent Policy Implementation

Preparation and approval process of the indigent policy

S74 of the Municipal Systems Act requires Council to adopt and implement a Tariff Policy that takes into account the extent of subsidization of tariffs for poor households. Accordingly, Senqu Municipality has developed and approved a Free Basic Services and Indigent Subsidy Support Policy which is reviewed annually on-going. In this regard it is required that:

Basic Services are provided to the community in a sustainable manner within the financial and administrative capacity of Council;

Procedures and guidelines are developed in order to provide direction on the manner in which basic service charges to indigent households will be subsidized.

3.8.4. Implementation of the policy

All households who qualify for the Indigent Subsidy are encouraged to register on the Indigent Database Register. Once this data is verified those qualifying households will receive the benefits associated with these subsidies.

In reality perhaps the greatest challenge relates to the maintenance and monthly update of this register and in ensuring that the data captured remains valid and up to date. Verification will always be an issue and reliance is placed on the householder to advise the municipality of any changes to their qualifying status. Clearly this calls the accuracy of the data into question.

Additionally it is questioned whether some members of the community aren’t perhaps disadvantaged through lack of knowledge surrounding this subsidy and as a result have not registered or benefitted from this subsidy (due in part to the extensive rural nature of the area and the rather large geographical spread).
Data cleansing and verification remains a constant challenge.

Free Basic Service Provision was provided as follows:

- Water : 3670 beneficiaries
- Electricity (Municipal jurisdiction): 571 beneficiaries
- Electricity for ESKOM jurisdiction: 11 000 beneficiaries
- Sanitation : 3776 beneficiaries
- Refuse : 3483 beneficiaries
- Alternative energy: 65 beneficiaries

3.9. Municipal Infrastructure Grant Expenditure for 2011/12 (Conditional)

A detailed account of the Municipal Infrastructure Grant Expenditure is detailed below as follows:

MIG 2011/2012

RECEIVED	EXPENDITURE	% SPENT	DELAYED FUNDS
23 102 000	23 278 831	100%	0

In terms of the MIG funding, no material difficulties were experienced other than internet slowness which contributed to the slowness in reporting at times.

Compliance of conditions was 100% and no material problems experienced with the exception of internet access on occasion and slowness thereof for MIS reporting requirements.

CAPITAL PROJECT MEDIUM TERM EXPENDITURE FRAMEWORK – 2010/11/12/13
Completed and current projects are reflected as follows:

Project Name	Status	Total value	Comments
MIG			
Construction of access roads - Wards 7,8,9 & 12 (Phase 3)	100%	14 500 000	Completed
Construction of access roads- Wards 1, 2 & 3 (Phase 1)	100%	12 000 000	Completed
Sterkspruit Taxi Rank	5%	14 000 000	Design Complete &construction Tender awarded
Sterkspruit Solid Waste Site	5%	2 700 000	EIA holding up implementation
Upgrading & lighting of Sportsfield - Kwezi Naledi	5%	3 500 000	Design Complete
Project Management Unit	Ongoing	960 450	Completed- Ongoing
SENQU PROJECTS			
Electrical rehabilitation	**33%**	**14 000 000**	Ongoing - This was 1st of 3 year plan- 1 year losses dropped from 43% to 23%
Construction of offices (Ph 3) in Lady Grey	**100%**	**20 029 569**	Completed
Senqu Plastics Industry	**12%**	**54 000 000**	No further funding available - political intervention required
Surfacing roads - Sterkspruit	**5%**	**4 000 000**	Under expenditure due to funds used on previous years contract shortages and rectified at Budget Adjustment (Time shortage) - Tender Awarded

Project Name	Status	Total value	Comments
MIG			
Storm Water control in Kwezi Naledi (Ph3)	**5%**	**7 150 000**	Under expenditure due to funds used on previous years contract shortages and rectified at Budget Adjustment (Time shortage)- Tender Awarded
Call Centre	**20%**	**180 000**	Re-advertised - No staff appointed
Mass Job Creation	**100%**	**3 500 000**	Completed - Saving of R 480 000 - 1436 Jobs created (Target 751)
Other Projects (Senqu Project Management)			
Surfacing of Musong Road	**55%**	**28 900 000**	Ongoing - Expected completion of current contract is October/November 2011

FUTURE PLANNED PROJECTS

FUTURE PLANNED PROJECTS	Status	Total value	Comments
MIG			
Construction of access roads- Wards 7,8,9 & 12 (Phase 4)	0%	15 000 000	Planned for: 2012/13 to 14 Year
Construction of Access Roads- Wards 4,5 and 6	0%	7 500 000	Planned for: 2012/13 to 14 Year
Solid Waste Site-Sterkspruit	10%	2 736 000	2 250 000
Increase height & Width of Transwilger bridge	0%	2 500 000	Planned for: 2012/13

FUTURE PLANNED PROJECTS	Status	Total value	Comments
MIG			
Upgrading of Sport Facilities in Barkly East	0%	3 500 000	Planned for: 2012/13 to 14 Year
Cemeteries (Ph2)	0%	29 158 210	Planned for next 6 years
Upgrading of Sport Facilities in Sterkspruit	0%	3 568 656	Planned for: 2012/13 to 14 Year
Upgrading & lighting of Sportsfield - Kwezi Naledi	5%	3 000 000	Construction
Construction of 4 Community Halls	0%	4 000 000	Planned for 2014
Construction of Solid Waste Site (Rossouw)	0%	1 250 580	Planned for 2014

Project Name	Status	Total value	Comments
MIG			
Construction of Solid Waste Site (Rhodes)	0%	1 250 580	Planned for 2014
Construction of Solid Waste Site (Herschel)	0%	3 294 600	Planned for: 2012/13 to 14 Year
Project Management Unit	Ongoin g	1 155 100	Ongoing
SENQU PROJECTS			
Surfacing roads – Sterkspruit	**5%**	**4 000 000**	Construction
Storm Water control in Kwezi Naledi (Ph3)	**5%**	**7 150 000**	Construction
Sterkspruit Taxi Rank	5%	14 000 000	Construction
Purchase of plant	5%	2 150 000	To be purchased
Other Projects (Senqu Project Management)			
Surfacing of Musong Road	**55%**	**28 900 000**	Construction
Surfacing of Mlamli Hospital Road		40 000 000	Budget confirmation
Surfacing of HoloHlhatsi Dam Road			Budget confirmation
Surfacing completion of Musong Road		15 000 000	To be applied for
Surfacing of T 606 to Rhodes & Barkly East		60 000 000	To be applied for
Surfacing of Manxeba Road		25 000 000	To be applied for

The following issues relating to the above table/s are reflected as follows:

- The Sterkspruit Taxi Rank Project was able to begin and progress due to savings on the MIG Roads projects and a change on the capital MTERF (by bringing forward the approved Phase 2 of the project in order to achieve project completion and meet the approved tender).
- Both the Sterkspruit Roads & Storm Water Project and the Kwezi - Naledi Roads & Storm Water (Phase 4) project could only be implemented after the budget adjustment, as the funding originally allocated was required to be used on the completion of projects from the previous year (i.e. the Barkly East &Kwezi - Naledi Roads & Storm Water projects). The allocated funding was required to be used in this manner as the budget had already been adopted by Council and consultants and contractors had assured the municipality that the projects would be completed by 30 June 2011. These projects could not be completed as planned

due to poor performance of the contractor during the 2010/2011 financial year, resulting in delays for the current year and the use of the allocated funding. This was required to be done in terms of s1 &s19 of the MFMA.

The table above reflects the future planned projects. It should however be noted that these issues are evaluated yearly and may change depending on circumstances.

NOTE: Some community services projects appear on the above list due to the fact that they are funded by the Municipal Infrastructure Grant (MIG).
Projects need to be re-evaluated ongoing with regards to costing, due to escalations in price for various reasons.

MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK

BRIEF PRESENTATION OF LED STRATEGY /PLAN

Senqu Municipality's Local Econo's LED strategy was developed in August 2007.
It has four (4) strategic priority focus areas or strategic development thrusts as indicated below:

Strategic Development Thrusts	Unpacking Thrusts
Local Area Development	Developing the physical area of Senqu to be an attractive destination to *invest-in, do business, visit, work and live in*!
Institutional Development	Developing the appropriate institutional capacity *to lead LED, facilitate LED, executive economic improvement initiatives* and *support LED*!
Enterprise Development	Supporting *existing businesses* to improve their profitability (competitiveness) and increase the number and viability of *new business start-ups* of all kinds!
Economic Diversification	Supporting existing *tourism and agriculture businesses to improve their profitability* (competitiveness) and increase the establishment of *new viable enterprises* in these priority sectors.

In order to ensure successful implementation of this strategy, a well capacitated LED unit and related structures (such as an LED Steering Committee) need to be in place. Additionally a vehicle for delivery such as a development agency would be required to ensure successful outcomes.

In summary, Senqu Municipality is able to lay claim to the following:
- The LED unit has been established;
- The LED Manager has been appointed as well as a Tourism Officer, an Enterprise Development Officer and a Poverty Alleviation Officer.

Although the LED forum is established this does not function as well as expected. This is largely due to the fact that some members of the forum do not fully understand the role that the LED forum is required to play and some re-training is required to occur in order to resolve and minimize this issue.

Progress towards achieving the LED key objectives through project implementation.

It is to be noted that 2011/2012 has not been particularly successful in as far as LED is concerned. Feedback on LED projects is provided as follows:

- The Waste Awareness Campaign was not launched as was planned due to the lack of funding;
- The Recycling Project in Sterkspruit and Barkly East could not be achieved due to lack of funding;
- The Rhodes Compost Project could not be implemented due to the lack of funds.
- Of the monies received for the "Greenest Municipality Award" it is noted that the R300 000 received has been spent in terms of the required conditions;
- Monies have been utilized in the review of the LED Strategy and a draft LED Strategy was completed. Unfortunately this was not accepted but insufficient funding prevented this from being finalized and approved;
- No grants or subsidies were available to assist with tourism.

Improve public and market confidence

The municipality continues to focus its efforts on promoting and implementing town planning and building applications. It is to be noted that greater effort will be expended in the future to decrease the "turnaround" time for approval of applications. Additionally, the location of the licensing of businesses is required to be reviewed as this currently and illogically resides within Community Services.

Areas of focus include:

- Provision and maintenance of quality and reliable infrastructure: Roads, ITC; market places
- Disaster management within the context of conducive environment for economic development (policy/framework adoption and implementation)

Exploit comparative and competitive advantage for industrial activities

The municipality has a competitive advantage in terms of Alpine Tourism. As a result the Joe Gqabi District Municipality obtained ThinaSinakho funding to develop an Alpine Tourism Strategy. This strategy is currently in draft but clearly indicates the need to amalgamate the smaller tourism associations within the area into one larger organisation. Studies have indicated that this industry does have the potential for growth.

Sterkspruit is the largest urban area in the municipality and while it is busy expanding on the one hand, business owners wishing to invest in the town are struggling to acquire land. This is due in part to former lax control of building and town planning regulations and the lack of freehold land. In an effort to remedy this situation, the municipality is attempting to expand the boundaries of the town by incorporating all surrounding villages under the Neighbourhood Grant Programme.

Intensify Enterprise support and business development

CBO's have been assisted to apply for lottery funding to assist with the continuation of their projects. Currently no positive feedback has been received.

Meetings have also been held with emerging building contractors to ensure that they are registered on the Department of Human Settlements Database and that they fully understand the process of procurement followed by the department. However it is noted that most contractors still struggle with the correct pricing for contracts and either under or over quote for jobs.

Tourism and craft SMME's have been assisted to market their products at various expos and at festivals such as the Grahamstown Arts Festival. In an effort to market the municipality's tourism potential, advertisements were placed in national magazines and in local newspapers to promote local events, such as the Lady Grey Passion Play.

Lady Grey came second in the Eastern Cape for the category "Best Town of the Year" award and through the efforts of municipal officials and the public Lady Grey received enormous publicity coverage.

Additionally, projects to improve the look and accessibility of towns have been implemented and these include greening projects and the erection of street names in Lady Grey.

The Expanded Public Works Programme

Progress in respect of the Expanded Public Works Programme funded by the Department of Public Works is not able to be provided. Statistics in this regard are required to be confirmed by the Technical Services section.

A budget of R3 500 000.00 was allocated for job creation and it is envisaged that 1049 jobs were created. All internal and MIG projects were registered with EPWP and these resulted in a total income of R 1 625 000.00 in terms of the Labour Rebate Program.More specifically and while acknowledging that statistics have still to be verified, the following information is provided:

PROJECT	BUDGET	ESTIMATED NO. OF JOBS
Sterkspruit Taxi Rank	R 13 522 945 .27	21
Upgrading lighting sportsfields Kwezi Naledi	R 3 500 000.00	5
Stormwater Kwezi Naledi	R 11 500 000.00	25
Road surfacing in Sterkspruit	R 3 200.000.00	24
Musong Road	R 27 000 000.00	74
Job creation program	R 3 500 000.00	168
Senqu Roads Maintenance	R 550 000.00	25

Support Social Investment Programme

The Sustainable Developmental Community/Social Development Programme (SDCIP) is all about moving beyond project-based community economic development. It is rather a much more empowering approach, utilising innovative methodologies to systematically build community competence and capacity. The municipality under this section is therefore expected to present its plan to create the conditions required for the second economy through community based organisations and informal business associations. The type of information expected includes: number of cooperatives, small business associations and women/youth associations, develop and maintain unemployment data base.

Annual Performance as per key performance indicators in LED

	Indicator Name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
	Percentage of LED budget spent on LED related activities	100 %	100 %	100 %
	Number of LED stakeholder forums held	4	4	100 %
	Percentage of SMME that have benefited from a SMME support programme	1 Sustainable Developmental Community/Social Development Programme/Plan (SDCIP)	Not determined	% Not determined
	Number of job opportunities created through EPWP	No fixed Target /dependant on funding	1040	100 %
	Number of job opportunities created through PPP	None	None	0%

Challenges regarding LED strategy implementation

Challenges within the LED function continue and these are due mainly to a lack of funding and capacity issues. These and their potential solutions are reflected as follows:

- The municipality lacks functioning business structures which can work together to promote and attract investment. This business structure will also form a link whereby the municipality can interact with private businesses and develop the necessary and appropriate infrastructure and policies to attract and maintain investment.
- The formation of a vehicle for investment such as a development agency has been delayed until sufficient funding and support can be obtained.
- Understanding and knowledge of the strategy and the national LED framework is limited and more effort must be extended by the LED Unit in order to expand the knowledge of ordinary citizens and influential stakeholders. This will result in a more co-ordinated and unified approach to the implementation of LED.

Annexure
A

SECTION 46

PERFORMANCE REPORT

Senqu Municipality

Draft Section 46 Performance Report

2011/2012

MUNICIPAL MANAGERS STATEMENT

In terms of Section 46 (1) of the Municipal Systems Act of 2000, as amended, a municipality must prepare for each financial year a performance report reflecting:

i) the performance of the municipality and of each external service provider during that financial year;
ii) a comparison of the performances referred to paragraph (i) with targets set for and performances in the previous financial year; and
iii) measures taken to improve performance

An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

I certify that this performance report has been prepared in accordance with Section 46 (1) of the Municipal Systems Act 32 of 2000 as amended. I further certify that to by knowledge the information contained within the report is a true reflection of the performance of the municipality during the 2011/2012 financial year. This information is based on the performance of the municipality as per 2011/2012 SDBIP developed in house as approved by the Mayor in June 2011.

INTRODUCTION AND LEGISLATIVE REQUIREMENTS

Performance measurement, assessment and management remains an integral part of the day-to-day operational functioning and reporting required by all organizations in order to compete successfully within business today. Notwithstanding the obvious operational benefits these activities are also prescribed within local government legislation. This Annual Performance Report for 2011/2012 is presented not only in terms of prescribed legislation but also in terms of best practice principles associated with effective management and reporting of performance.

The following references to legislation detail the mechanisms, processes and reporting required to assess and manage performance and set the tone for this s46 performance report:

Municipal Systems Act of 2000

S40

Municipalities are required to establish mechanisms in order to monitor and review their Performance Management System (PMS) in order to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels;

S35

It is required that the Integrated Development Plan (IDP) is reviewed annually and that during this period the related Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and aligned. These in turn forms the basis of the review of the organisational Performance Management System and would form the basis of the performance contracts for senior managers.

Municipal Planning and Performance Management Regulations (2001)

Chapter 3, s7

These regulations stipulate that the municipality's performance management system must entail a framework that both describes and represents the manner in which the municipality's performance management cycle will function. This requires that all detail regarding the cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement are to be provided and includes the manner in which the roles of the different role-players are to be determined.

More specifically s46 of the Municipal Systems Act, Act 32 of 2000 (which informs this report directly), requires that:

- The Annual Performance Report will form part of the municipality's Annual Report as per Chapter 12, of the Municipal Finance Management Act, and
- The Annual Performance Report is required to reflect :

- The performance of the municipality and of all external service providers utilized during the current financial year;
- A comparison of all performance referred to above detailing performance targets and actual performance for the previous financial year; and
- Detail regarding all measures taken to improve performance.

The report which follows will take these prescriptions into account and will detail qualitative and quantitative reporting within these areas based on the information provided through municipal assessments and records.

NOTE: As the first draft of this report we are well aware that this information has not been fully verified and is still required to be formally audited. The information is thus being presented with the full knowledge that certain of the detail provided might not reflect the required levels of accuracy. These will be amended in the subsequent draft after the auditing of the financial statements and the Annual Report. It is further noted that every effort has been made to align reporting to the information contained within other strategic and reporting documents.

This report will detail the manner in which performance is assessed (institutionally and individually) and will examine performance in terms of the detail and prescriptions required by the related legislation. Comparisons with performance for the previous year will be made in all instances where this detail has been provided.

PERFORMANCE OVERVIEW

Within Senqu Municipality five (5) key performance indicators for local government have been used to measure performance and these are reflected within most areas of performance reporting and assessment.

More specifically, these are detailed as:

- Municipal Institutional Development and Transformation
- Financial Viability and Infrastructure
- Local Economic Development
- Good Governance and Public Participation
- Service Delivery

The s46 report will detail the manner in which performance has been achieved within each of these key performance areas, while making comparisons between the 2010/2011 and 2011/2012 financial years where this is possible.

While a brief narrative and overall summary of performance follows, the attached performance tables provide a more detailed account of progress in respect of each performance target, for each Key Performance Area.

In summary, the following comments are provided by way of overview. The attached performance tables must be considered for a more in depth understanding of progress.

1. Municipal Institutional Development and Transformation

   It must be noted that within this Key Performance Area a great deal of progress has been achieved, more specifically it is noted that:

   - The Workplace Skills Plan was developed and approved and training implemented in terms of the WSP. A total of 189 staff benefitted from training itself.
   - Within these departments it is noted that 14 interns were provided with structured work experience as part of the learnership programme.
   - Project Management certificate training was provided for disabled learners.
   - From an administrative and transformational perspective it is noted that while polices may be reviewed – their implementation remains a challenge and every effort is required to ensure that these are undertaken in the manner required.
   - Employment Equity has been addressed in that:
     - The EE Plan was revised, updated and reported on regularly.
     - Capacity constraints have affected the development of the EE Plan and resulted in the re-submission of the EE Report to the Department of Labour following a Compliance Order instruction;
   - The EE targets within the 3 highest levels of management have been achieved, although it is acknowledged that this will not always be possible due to the availability of staff and scarce skills challenges.

- The organogram was reviewed but this process was delayed due to the appointment of the new Council.
- In respect of Communication it is noted that while a Communication Strategy was developed by December 2011 as required, full implementation thereof was not achieved. In this regard it is noted that newsletters were competed but not distributed and funding issues have impeded progress generally.
- Records of meetings/resolutions were not kept efficiently. Record keeping is an issue to be addressed moving forward.
- Telephone monitoring and management is expected to improve and the intention is to introduce a new monitoring and control mechanism for this purpose.
- Occupational Health and Safety is not managed effectively. Service Providers were appointed to train OHS Committee members but this has not improved the effectiveness of required levels of functioning.
- Labour relations have been well managed and reporting is conducted regularly as required.

It is clear that while there are areas to be addressed, although it is acknowledged that overall this area is well achieved.

2. <u>Financial Viability</u>

Overall it is clear the Senqu Municipality is functioning well in terms of its financial management. While emphasis of matter have been raised and issues relating to Supply Chain Management and reporting have been cause for concern it is clear that these issues are to be addressed formally. Progress is evident in respect of the Auditor General's Report, the municipality's response to this and in terms of the Audit Action Plan and related implementation plans.

Having received an unqualified audit report for the last two consecutive years, Senqu Municipality clearly displays sound management systems and controls.

3. <u>Local Economic Development</u>

As can be seen and as is reflected within the s46 reporting tables, LED remains an area of challenge and this is primarily due to capacity, infrastructure and resource limitations that were experienced. In summary, it is clear that the Tourism Sector Plan (developed) needs to be implemented although finances and capacity pose a challenge.

Spatial Planning is required to be addressed through the implementation of the Spatial Development Framework. Infrastructure development is carefully evaluated in order to ensure that it develops carefully and correctly – as a well constructed plan.

The facilitation of Housing projects is well achieved under the circumstances although challenges are experienced with donor funding and project managers.

Efforts are required to improve in respect of the Town Planning functions – and the limited capacity remains the greatest challenge in the short-term together with the identification and availability of land in the long-term.

4. <u>Good Governance and Public Participation</u>

For the most part it is noted that the issues relating to good governance and public participation have been well achieved institutionally. The SDBIP was developed in-house and alignment issues in respect of this and the Budget to the IDP have caused difficulties in the development of performance targets. These have been addressed within the new financial year. The PMS has only been applied to the s56 managers and roll out is planned for the following year.

Formal performance assessment for the s56 managers have not been well achieved in that they have not been conducted strictly in line with policy. Notwithstanding, the quarterly SDBIPand compliance reporting prescriptions have been well handled.

From an audit and verification perspective it is noted that the Audit Committee and MPAC functions were well achieved and the Audit Committee has reviewed the performance information every quarter as required.

The IDP was reviewed, adopted and approved 31 May 2012. This achieved accolades from the MEC and a high level of credibility was achieved for the second year in a row. Public Participation initiatives were undertaken in order to ensure that the community had input into this document and all related governance issues.

All Human Resource staff establishment targets were well achieved and it must be noted that during 2011/2012, 97.68% of the funded vacancies were successfully filled.

5. Service Delivery

Throughout the organisation and especially in respect of service delivery issues it is to be noted that the greatest difficulties experienced within all areas relate to poor /ageing infrastructure, financial constraints and lack of staff and/or capacity. These issues are evident within all aspects of service delivery as detailed within the s46 report attached. All achievements and challenges are detailed. Overall service delivery is well achieved, especially when considering these challenges.

4. CONCLUDING REMARKS

This s46 report is concluded with reference to the financial performance report (detailing performance relating to the "Financial Viability" performance indicator) and the SDBIP report. The SDBIP report incorporates both the institutional and individual performance assessments as part of an integrated performance assessment function and as such, supplies an extremely comprehensive summary of all performance for both the 2010/2011 and 2011/2012 periods.

A number of extremely difficult challenges presented themselves when compiling this report and these need to be taken into account and acknowledged as having impacted on what is **clearly a draft of the s46 report.** More specifically these are reflected as follows:

- The information contained within this report is based on the information supplied **by certain of the directorates.** Not all directorates supplied the required information and where this was supplied, in certain instances very **limited information** was submitted. In other instances the information was very comprehensively provided.

- Of great concern is the degree of accuracy pertaining to all information submitted and used. This information has not been audited and thus verified and this will only have occurred after the auditing of the Annual Financial Statements and the Annual Report. Until such time that this occurs it is very possible that inconsistencies/inaccuracies may be present and these will be required to be adjusted within the final submission of this report..

- It is a great matter of concern that certain officials/directorates do not regard the process of performance management as a very necessary and as a valuable management tool. Until this mindset is changed and until all parties understand the role of performance management within the organization and of each directorate, this process will not be effectively applied. It is highly recommended that extensive training be undertaken in this regard in order to ensure "buy in and commitment to this process" and to ensure that all staff are fully capacitated to be able to apply this system effectively.

- Further to this, it is imperative that there is complete understanding and commitment to the role of the IPME directorate --- that of gathering and facilitating this process with strict emphasis being placed on their administrative and facilitative role. All directorates are to provide the required reporting and take appropriate action to manage performance effectively within their own directorates.

- Performance management must be regarded as a day to day management activity (which is in essence exactly what it is) and yet it is the most neglected activity. Directorates must collect, record and assess information in all instances in order to effectively manage performance and to ensure the achievement of performance goals and objectives. The audit action plan stresses the need for policies, systems and controls that are applied and monitored. This must be done.

- While the accolades regarding the IDP and the unqualified audit are to be commended and noted, **it does not take away the "attention to detail" that is required to be placed on the other performance documents.** As a case in point it is to be noted that the **SDBIP for 2011/2012** has not been well constructed and there is little /no alignment with the IDP. Performance indicators are poorly phrased, important indicators

are not present, targets are placed in illogical performance areas and generally the SDBIP does not fully comply with the requirements for the SDBIP. In effect this means that all the effort that has been put into the development of the IDP will be "diluted" and this will impact negatively on the manner in which the budget, SDBIP, performance scorecards and all performance related reporting will be undertaken ---ultimately affecting organizational performance.

Performance management must be regarded as a priority moving forward. Once systems and processes are put into place and PMS is running effectively the rewards will be felt throughout the organization. Aside from the issues of obvious compliance and the ability to meet these, effective performance management provides a very conducive climate for work and greater opportunities for all. It is certainly that this can be strived for and a culture of performance optimization developed and instilled within the organization.

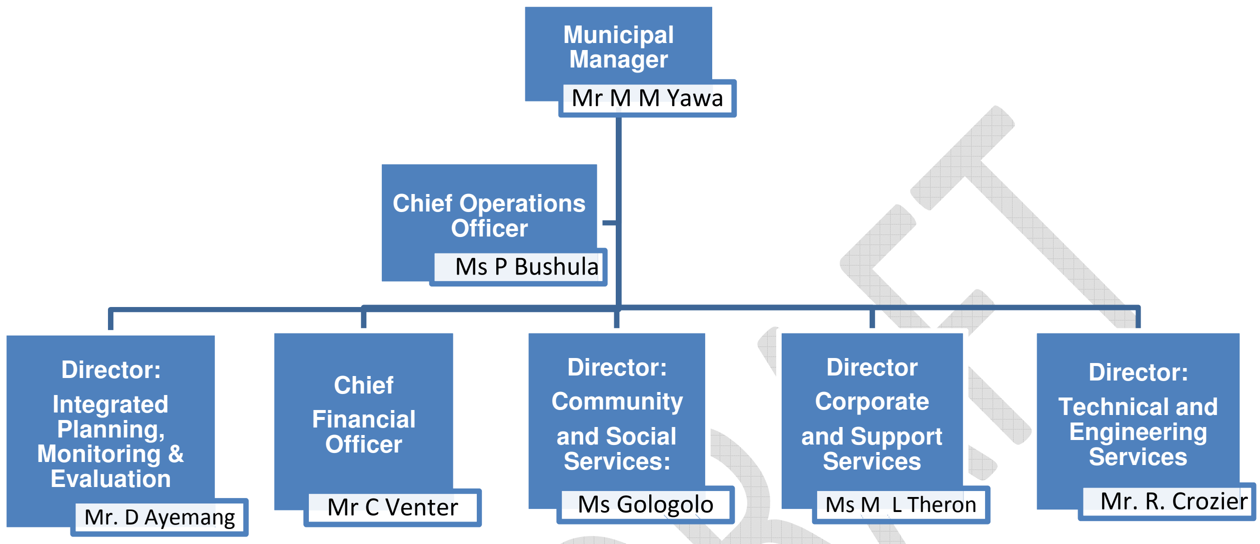
CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE

PERFORMANCE REPORT PART 2

COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

STAFF ESTABLISHMENT



NOTE: Reference is made to Appendix C (Third Tier Administrative Structure) which provides the detailed organogram for Senqu Municipality for 2011/2012.

Staff Establishment Figures

The table below details the approved, filled and vacant funded posts within Senqu Municipality for 2011/2012:

Approved and Funded Posts in the entire Institution	Number of Employment Contracts and Performance Agreements	Filled Posts	Total Number of Vacant funded posts in the Entire Institution	Total Number of Vacant unfunded posts in the Entire Institution
309	6 (s57)	211	5	93

Comparisons between 2010/2011 and 2011/2012

2010/2011			
Total No. of Posts on Organogram	Filled Posts	Funded & Vacant	Unfunded & Vacant
309	200	16	93

2011/2012			
Total No. of posts on organogram	Filled posts	Funded & Vacant	Unfunded & Vacant
309	211	5	93

Analysis and comparison between the currently approved organogram and current staff complement would indicate that:

- A total of 309 positions for the organization were approved for 2011/2012.
- The total number of approved but vacant positions is 16 as at 30 June 2012.
- There are 93 unfunded positions, of which 43 unfunded positions relate to the Water Services Authority (WSA) functions that will be transferred to the Joe Gqabi District Municipality once required agreements have been finalized.
- During 2011/2012, the following s57 managers were in possession of employment contracts and performance agreements:
  - Municipal Manager
  - Director: Corporate and Support Services
  - Chief Financial Officer
  - Director: Technical Services
  - Director: Community and Social Services
  - Director: Integrated Planning, Monitoring and Evaluation

As per legislative requirements all performance agreements and employment contacts for these posts were submitted to the Department of Housing, Local Government and Traditional Affairs within the prescribed timeframes.

At the end of this financial year and extending into the beginning of the new financial year, the contracts of the various s56 managers came to an end.

It must be noted that the contracts of the following directors were renewed for the next 5 year term:

- Municipal Manager
- Chief Financial Officer
- Director: Technical Services
- Director: Community and Social Services

The following s56 managers' contracts were not renewed and new appointments have been made which come into effect from the new financial year:

- Director: Corporate and Support Services
- Director: Integrated Planning, Monitoring & Evaluation.

Staff Complement:

The table below indicates the positions as reflected within the budget per category and level for 2011/2012:

Department / Function	Posts Filled	Posts Funded but vacant	Posts Unfunded	Total Number of Posts
Council and Executive	9	1	1	11
Corporate & Support Service	15	0	4	19
Budget & Treasury Service	29	0	3	32
Community & Social Service	70	0	37	107
Technical & Engineering Service	77	4	43	124
IPME	11	0	5	16
Total	**211**	**5**	**93**	**309**
Percentage				**100.00%**

Staff appointments during this time: 5 and staff terminations: 8

TABLE: GENDER / RACE ANALYSIS OF FILLED POSTS (PER FUNCTIONAL AREA)

Staff complement in the Technical Services (to be updated)

The staffs complement in the Technical Services: - 74 filled positions, 7 vacant unfunded positions

Technical Staff Registered with Professional Bodies

Technical Service (e.g. Water, Electricity etc.)	Total Number of Technical Service managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Technical Services Manager	1	Nil	Unknown	Unknown
Water Operators	43	Unknown	Unknown	Unknown
Learnships (Water)	4			

Levels of education and skills(To be updated)

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
211	77	50	84

Trends on total budgeted personnel expenditure

FINANCIAL YEARS	TOTAL APPROVED OPERATING BUDGET	PERSONNEL EXPENDITURE (SALARY AND SALARY RELATED)	PERCENTAGE OF EXPENDITURE
2006-2007	52 589 227	18 008 309	34%
2007-2008	71 589 227	20 168 753	28%
2008 - 2009	76 525 928	25 909 676	34%
2009 - 2010	88 602 942	29 794 492 (re stated)	34%
2010 - 2011	162 817 822	43 121 392	26.48%
2011 – 2012	164 315 116	54 025 255	32.88 %

Senior Officials' wages and benefits (even if included in the financial statements)

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	2012 R	**2011 R**
Remuneration of the Municipal Manager - MM Yawa		
Annual Remuneration	1 110 442	1 046 486
Bonus/Performance Bonuses	369 023	581 185
Car Allowance	82 800	82 800
Telephone allowance	-	18 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 563 763**	**1 729 969**
Remuneration of the Director Technical Services - RN Crozier		
Annual Remuneration	910 330	887 306
Bonus/Performance Bonuses	323 994	507 991
Car Allowance	93 600	93 600
Telephone allowance	-	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 329 421**	**1 502 394**

REMUNERATION OF KEY MANAGEMENT PERSONNEL	2012 R	2011 R
Remuneration of Director Community &Social Services - CNL Gologolo		
Annual Remuneration	757 822	705 840
Performance Bonuses	106 349	187 798
Car Allowance	48 000	48 000
Telephone allowance	-	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**913 668**	**955 136**
Remuneration of the Director Financial Services - Mr CR Venter		
Annual Remuneration	1 074 658	1 013 067
Performance Bonuses	253 266	445 584
Telephone allowance	-	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 329 421**	**1 472 148**
Remuneration of Director Corporate and Support Services - ML Theron		
Annual Remuneration	747 394	705 538
Bonus/Performance Bonuses	164 783	257 440
Telephone allowance	-	12 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**913 675**	**976 476**
Remuneration of Director IPME - DP Agyemang		
Annual Remuneration	833 624	725 809
Bonus/Performance Bonuses (Housing)	158 668	24 731
Telephone allowance	-	11 000
Car Allowance	68 400	66 900
Housing Allowance	30 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	**1 092 190**	**829 937**

List of pension and medical aids (elected by employees) To be updated

The table below project number of employees who belong to medical aid and pension funds.

Names of Pension Funds	Number of Members	Names of Medical Aids	Number of Members
Cape Joint	146	Bonitas	82
SALA	32	Samwu Med	28
SAMWU Provident Fund	6	LA Health	2
		Munimed	1
		Keyhealth	0

Medical Aid Continued Membership
Noted: it is not compulsory for employees to become a member of a medical aid scheme

Senqu Municipality has five Continued Members on different Medical Aids for whom the municipality still pays a contribution. They are as follows:

- Mr Ramsay - Barkly East TLC
- Mr Du Toit - Lady Grey TLC and Senqu
- Mr Botha - Barkly East TLC and Senqu
- Mr Theron; and - Barkly East TLC and Senqu
- Mrs Cloete - Barkly East TLC

COMPONENT B: MUNICIPAL LEVELS OF REPORTING

B1: Key HR Statistics per functional area(To be updated/verified)

Level	Approved Positions	Number of approved and budgeted posts per position	Filled Posts	Gender	Vacant Posts
Mayor	1	1	1	African Male	0
Speaker	1	1	1	African Male	0
Councillors	30	30	30	18 African Females, 1 White Female, 1 Coloured Male and 10 African Males	0
Top Management	1	1	1	Male	0
Senior Management	5	5	5	1 African Female, 1 African Male, 1 Coloured Female, 2 White Males	0
Professionally qualified and experienced specialists and Mid-management	25	25	25	4 African Males , 14 African Females, 1 Coloured male Males ;2 White Females ,4 white Males and 1 White Male	2 unfunded posts

B2:Municipal Manager/s57 and Line (Inclusive of Councillors)To be updated/verified

	Indicator name	Total no. of people for 2011/2012	Achievement Level	Achievement Percentage	Comments on the Gap
	Vacancy rate for all approved and budgeted posts	5	5	100%	Funded vacant positions filled
	(Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	6	100%	
	Percentage of Section 57 Managers including Municipal Managers who attended at least one skill development training course within the Financial Year	6	5	83.33%	CFO was planned for but has not attended a skill development training course during the Financial year
	Percentage of Managers in Technical Services with a professional qualification	Nil	Nil	0%	
	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	211	211	100%	
6	Percentage of councillors who attended a skill development training within the current 5 year term	32%	32%	100%	
7	Percentage of female employees	57	57	28%	
8	Percentage of employees that are aged 35 or younger	31		44.64%	

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

C1: Staff Development Initiatives during the Financial Year

As required, the Workplace Skills Plan was compiled for the 2011/2012 financial year. This was adopted by Council (after having been signed off by SAMWU and IMATU).

Within both financial years it is noted that the SDF was appointed, the WSP was developed and approved, the training was implemented in terms of the WSP and it appears that progress was made in a number of areas.

2010/2011		
Training Budget	:	R760 874.00
Total Levy Paid	:	R186 437.00
Disbursements Grant Received	:	R33 428.00
Total Spent	:	R104 312.00

During 2010/2011 a total of 201 beneficiaries benefitted.

2011/2012		
Training Money Spent	:	R345 796.58
Total Levy Paid	:	R593 633.48
Disbursements Grant Received	:	R16 000.00
Total Spent	:	R361 796.58

During 2011/2012 a total of **189 staff members** benefitted from training.

In terms of other training provision for 2011/2012 the following information is noted:

- Internships

  14 interns were given structured work experience within the following departments and the following areas:

NUMBER OF INTERNS	AREA OF EXPOSURE
5	LED/IDP/Urban Planning
2	Core Administration
5	Financial (Client Services)
1	Environmental Health
1	Housing
TOTAL NUMBER OF INTERNS: 14	

- Learnerships

  3 unemployed learners were provided with the opportunity within Corporate Services to receive structured work within core administration within the Corporate Services field as part of a learnership.

- Community Training for Unemployed

  An amount of R50 000 was spent on providing a Project Management Certificate Course for disabled learners.

- Training of Staff 2011/2012

  The municipality used wherever possible accredited Training Providers to provide training to our staff during the financial year under review. Quality assurance regarding each training provider was ensured by obtaining an Accreditation Number for each training provider before they were approved. The table below reflects the training provided during the current year and the skills levels to which they have applied:

No. of Beneficiaries	Programme	Area/Course
3	Skills	Stormwater & Drainage
2	Learnership	Water Process Controllers
20	Skills	Property Valuation
20	Skills	Supply Chain Management
100	Skills	Ward Committees
1	Learnership	LED
80	Skills	Waste Management
98	Skills	Occupational Health & Safety
1	Learnership	Local Govt. & Admin
1	Learnership	Occup. Dev. Education Training and Development Practices
24	Skills	ABET

- Areas of training focus include:

  - Office Administration
  - Absenteeism & Leave Management
  - Project Management
  - Managing and Reporting
  - Performance Information
  - Labour Relations
  - Supply Chain Management
  - OHS
  - Waste Management
  - Exel
  - Employment Equity
  - Library Management
  - Leadership Development
  - Employment Equity, Labour Relations & Diversity
  - Fraud & Risk Management

- Training Committee

  The Training Committee met regularly (quarterly) to discuss and decide/approve training related issues. As a consultative forum this committee was comprised of the following representatives:

  Skills Development Facilitator
  Portfolio Head of Corporate Services (Chairperson)
  Speaker
  Corporate Services Manager
  IDP Manager
  HR Officer
  Acting Superintendent
  Accountant: Expenditure (Deputy Chair)
  SAMWU Representative (90%)
  Secretary
  IMATU Representative (10%)
  COO
  SPU Officer

A TOTAL OF 189 PERSONS (138 MALES AND 51 FEMALES) WERE TRAINED DURING THE 2011/2012 PERIOD.

Note: Notwithstanding the apparent successes, the accuracy of the statistics and data reflected in all instances, are still to be validated and verified. Statistics and figures do not correspond between reports, so these are to be validated and verified.

COMPONENT D: MANAGING MUNICIPAL WORKFORCE EXPENDITURE

Workforce expenditure is strictly controlled and managed in terms of all recognized and accepted accounting practices and while ensuring that the payroll functions strictly within required parameters.

Reporting occurs in many forms not the least of which include:

- S71 reports
- Management reports and reports to Standing Committees, Exco and Council
- S72 Reports
- Monthly reconciliations
- Reporting in respect of Employee Benefit Administration

In this manner and with many internal control structures in place it is ensured that strict controls over all workforce related expenditure is ensured.

CHAPTER 5

FINANCIAL PERFORMANCE REPORT

BUDGET AND TREASURY DIRECTORATE: REPORT

5. OPERATING AND CAPITAL BUDGET 2011/2012 FINANCIAL YEAR

5.1 2011/2012 Budget Report

The requirements for Municipal Budgets are clearly set out in Chapter 4 (Section 15 to 33) of the Municipal Finance Management Act; no 56 of 2003 (MFMA) and all steps were taken to ensure that the Municipality meets these requirements. The municipality has as far as possible compiled the 2011/2012 MTREF Budget in the format prescribed by National Treasury in terms of Circular 28 and the related regulations.

5.2.1 Capital Expenditure

Council's MIG (Municipal Infrastructure Grant) allocation increased from R 19 209 000 to R 23 102 000 for the 2011/2012financial year. It is anticipated that some of the MIG allocation would be used finance the following projects:

Project: Khwezi Storm Water (Phase II)	7 150 000.00
Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
Project: Constr Roads Ward 1, 2 & 3 (Ph 1)	496 335.00
Project: Sterkspruit Taxi Rank	9 738 566.00
Khwezi Naledi Sport Field Lighting	2 918 071.00
Sterkspruit Solid Waste Site	124 070.00

An amount of R 41 057 664 Capital Expenditure Ex Revenue was budgeted to fund the following projects:

Total Capital Budget for Projects

4103	Tools & Equipment	320 500.00
4104	Infrastructure	1 500 000.00
4105	Vehicles, Plant & Equipment	3 058 000.00
4106	Furniture & Office Equipm.	890 870.00
4107	Project: Khwezi Storm Water (Phase II)	12 604 194.00
4108	Project: Constr Roads Ward 1, 2 & 3	496 335.00
4110	Project: Surfaced Roads (Phase I)	3 761 756.00
4112	Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
4118	Fleet Bay	450 000.00
4150	Project: Driver License Train Centre	1 800 000.00
4152	Community Halls	500 000.00
4153	Project: Internet / Communication	84 131.06
4157	Sterkspruit Taxi Rank (Phase 1)	11 455 780.00
4158	Project: Sterkspruit Solid Waste Site	124 070.00
4164	Khwezi Naledi Sport Field Lighting	2 918 071.00

It is anticipated that R 17 494 043 would go towards the completion of the following housing projects.

Project: Housing - Lady Grey 1 000	1 618 897.34
Project: Housing - Herschel 700	7 094 313.68
Project: Housing - Hillside 1 000	8 780 832.00

Council further intends to take up a loan to finance the completion of the office complex. It is foreseen that R 281 615 during the 2011/2012would be required.

5.3 Operational expenditure

There is a need to highlight the following in council's operational budget:

- Councillors remuneration amounts to R 8 993 676 of which R 2 226 000 is financed by a special allocation to be received from the national government;
- Actual Personnel costs vs. total operational expenditure are 37.27%.

- 2898 Indigent consumers benefit from free basic services. R 11 933 506 was actually utilized (Budgeted R 13 605 676) will go **directly** to provide services to the (indigent) poorest of the poor as per council Free Basic Service and Indigent Subsidy Support Policy.

5.4. Rates and Tariffs

The following budget-related policies have also been reviewed during 2011/2012.

- Integrated Development Plan and Budget Policy;
- Free Basic Service and Indigent Subsidy Support Policy;
- Credit Control and Debt Collection Policy;
- Tariff Policy; and
- Rates Policy.

Increases in services tariffs are as follows:

Water	11 % Increase
Refuse	10 % Increase
Sanitation	11% Increase
Electricity	20.38% Increase
Rates	8 % Increase
Vacant Erven Rates Charged	1.08%

5.5. The Budget

Steps were taken to ensure that the requirements of the Municipal Finance Management Act, No 56 of 2003, especially Chapter 4 (section 15 to 33), as well as any MFMA Circulars from National Treasury, were met.

5.5.1. Executive Summary

As required the Budget Executive committee met in August 2011 during which council's previous years (2010 / 2011) budget process was evaluated through the BEC (Budget Evaluation Checklist).

At the same meeting the Schedule of Key Deadlines were compiled and the budget executive committee, budget technical committee, budget local consultation forum and budget technical consultation forum were established. The Schedule of Key Deadlines, as approved by council in August 2011, as well as an invitation to participate in budget local consultation forum were duly advertised and circulated.

During October to November 2011 the Budget Executive committee, with assistance from ward councillors and ward committees engaged into an outreach program to assess the needs of the community in the following wards:

Ward 1	15 November
Ward 2	16 November
Ward 3	16 November
Ward 4	17 November
Ward 5	1 November
Ward 6	4 November
Ward 7	2 November
Ward 8	15 November
Ward 9	2 November
Ward 11	3 November
Ward 12	4 November
Ward 13	3 November
Ward 14	9 November
Ward 15-16	2 November
Ward 10	Meetings cancelled

All needs recorded were later prioritised and included in council's Integrated Development Plan.

The budget technical committee has in the in financial year addressed various issues required by the Municipal Finance Management Act:

- Reviewing the IDP objectives and strategies;
- Reviewing the Organisational structure;
- Reviewing the Delegation framework;
- Reviewing the Service Delivery and Budget Implementation Plan (SDBIP);
- Reviewing existing and considering new Service Delivery Agreements;
- Considering the establishment of Entities;
- Reviewing existing and compiling new Budget-related policies;
- Considering the Macro and micro economic climate and budget guidelines, requirements and growth parameters;
- Planning the implementation of GFS classifications;
- Considered proposed tariff increases;
- Compile a draft operational and capital budget;
- Prioritise community needs in the IDP.

During March 2011 the draft budget and supporting documents were tabled to the budget executive committee for consideration, discussion and approval.

5.5.2 <u>Disclosure on Allocations Made by the Municipality</u>

Council has entered into the following Service Delivery Agreements under the Budget & Treasury Office

Could not establish amounts in time

SEBATA	Municipal Finance Management Software & Support	R 207 408.00
CONLOG	Electricity Vending Unit& Software	R 170 913.82
Department of Transport	Registration and Licensing of motor vehicles	R 1 400 614

Grants allocations are attached as Appendix E of the Annual Financial Statements.

a. <u>Disclosure on Salaries, Allowances and Benefits</u>

All employee related costs is disclosed in Note 28 of the Annual Financial Statements and consists of the following

Employee related costs - Salaries and Wages	20 128 969
Employee related costs - Contributions for UIF, pensions and medical aids	4 009 645
Travel, motor car, telephone, assistance and other allowances	84 050
Bonuses	2 465 989
Housing Benefits and Allowances	17 539
Leave Reserve Fund	1 490 886
Overtime Payments	481 905
Workmens Compensation Contributions	348 508
Contribution to provision - Long Service Awards - Note 4	236 705
Contribution to provision - Post Retirement Medical - Note 4	1 528 836
Total Employee Related Costs	**30 793 033**

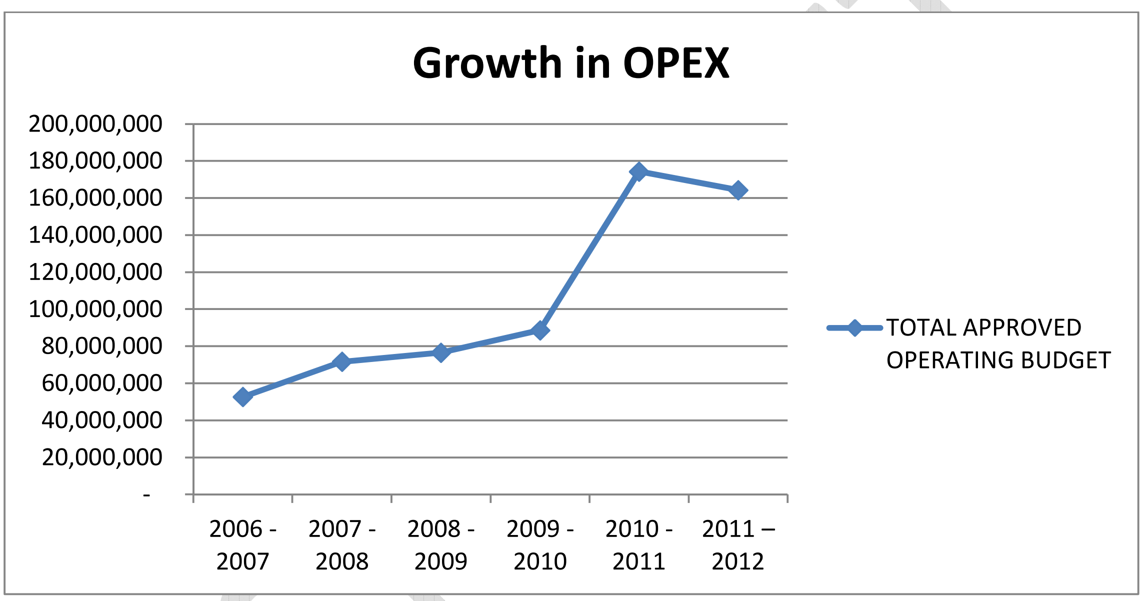
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

5.6. Operational Expenditure

Budgeted Operating Expenditure amounted to R 164 315 116 (R 205 372 780 less R 41 057 664 – capital expenditure ex revenue).

The Actual Opex Increased from the Previous Year by 9.07% and by

R 10 968 609 In monetary terms from the previous financial year.(R 131 905 060 – R 120 936 451)



Operational Expenditure Analysis:

Employee Related Costs	(40 775 916)	(45 460 099)	4 684 183	-10%
Remuneration of Councillors	(8 386 846)	(8 565 156)	178 310	-2%
Debt Impairment	(3 638 197)	(5 264 520)	1 626 323	-31%
Depreciation and Amortisation	(11 675 067)	(13 028 700)	1 353 633	-10%
Impairment	(116 766)		(116 766)	100%
Repairs and Maintenance	(3 597 561)	(3 101 953)	(495 608)	16%
Actuarial losses	(935 818)	(428 520)	(507 298)	118%
Finance Charges	(1 717 717)	(1 914 745)	197 028	-10%
Bulk Purchases	(15 130 377)	(17 303 100)	2 172 723	-13%
Grants and Subsidies Paid	(731 837)	(734 000)	2 163	0%
Other Operating Grant Expenditure	(26 240 396)	(46 678 843)	20 438 447	-44%
General Expenses	(18 873 280)	(21 835 480)	2 962 200	-14%
Loss on disposal of PPE/Investment Property	(85 282)	-	(85 282)	100%
Totals	**(131 905 060)**	**(164 315 116)**	**32 495 337**	**-20%**

5.6.1 Personnel Expenditure

The current personnel expenditure is pitched at 37.27%.

5.6.2 General Expenditure

The Actual General expenditure has increased by **27.82%**
R 14 765 959 to 18 873 280 which is **11.19% of** the total operating expenditure.

The following aims directly to address projects identified as priorities in Council's Integrated Development Plan:

	Budget Year 2011/12	**Budget Year 2010/11**	**Budget Year 2009/10**	**Budget Year 2008/09**
Total New Budgeted Assets	41 057 664.06	44 809 065.00	62 259 990.00	19 223 278.56
Infrastructure - Road transport	31 212 022.00	25 279 775.00	42 415 610.00	14 825 336.52
Infrastructure - Electricity	1 500 000.00	4 300 000.00	5 000 000.00	-
Infrastructure - Water	-	-	-	-
Infrastructure - Sanitation	-	-	-	-
Infrastructure - Other	124 070.00	250 000.00	-	233 147.75
Infrastructure	32 836 092.00	29 829 775.00	47 415 610.00	15 058 484.27
Community	3 418 071.00	514 960.00	11 470.00	564 227.73
Heritage assets		-	-	-
Investment properties		-	-	-
Other assets	4 719 370.00	14 380 200.00	14 832 910.00	3 403 081.08
Agricultural Assets		-	-	-
Biological assets		-	-	-
Intangibles	84 131.06	84 130.00	-	197 485.48

Free Basic Electricity would continue to be rolled out throughout the municipal area during the 2011/2012 financial year.

Repairs & Maintenance

Repairs & Maintenance	
2011 - 2012 Budget Repairs & Maintenance	3 101 953
% Of Budget Spent	115.97%
R Amount Spent	3 597 561

5.6.3. Capital charges / loan commitments

No new / Additional External Loans were taken up during the **2011/2012** financial year.

5.6.4. Contributions to Capital Outlay

The **R 41 057 664** (19.99% of total expenditure) was made available for Capital expenditure from Revenue would go directly towards projects identified in council's Integrated Development Plan and is 8.37**%** less than the previous year's allocation of **R 44 809 065.**

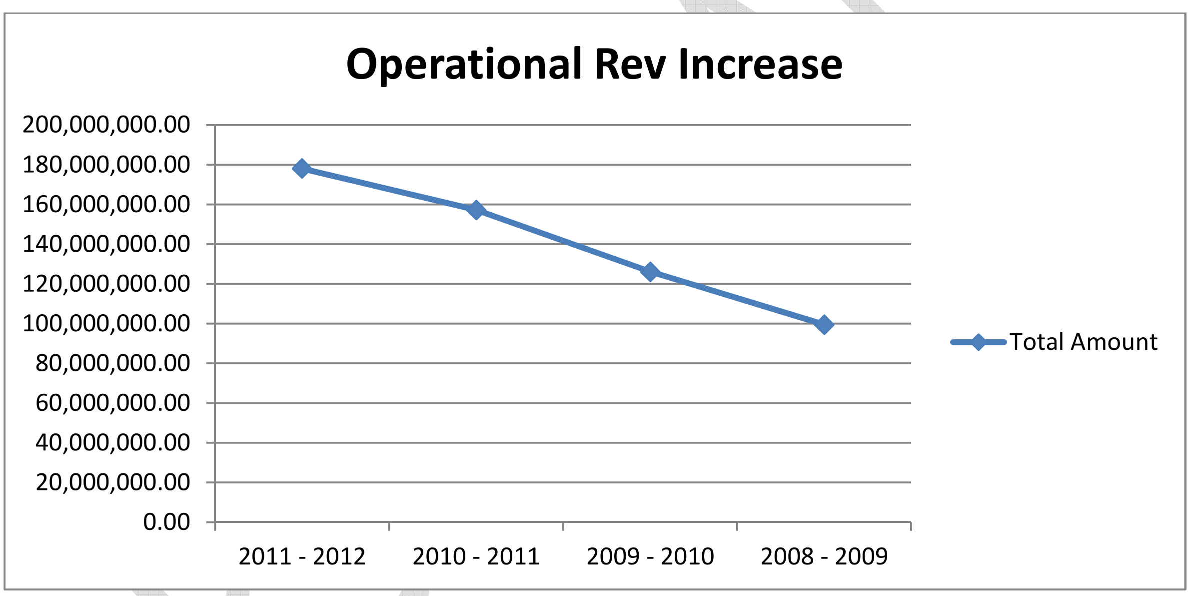
5.7 Operational Income

The realistic anticipated revenue of R **195 281 854** is **1.69 % (R 3 252 030) more than the previous financial year and** resulted in an estimated net surplus of R 46 148 530. It includes all sources of income e.g. own revenue, grants, subsidies, agency receipts, donor funds, trust funds, etc.

Operational Income	2009/2010	2010/2011	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00
Agency Services	517 585.02	462 566.39	579 595.50
Other Income	361 125.12	499 824.14	688 992.23
Actuarial Gains		632 639.38	
Totals	**126 043 247.53**	**157152 608.85**	**178 053 591**

Growth in Operational Income

Financial Year	2011 - 2012	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	178 053 590.58	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	13.30%	24.68%	27%	17.93%



An analysis of Council's revenue sources is as follows:

Operational Income	2009/2010	2010/2011	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38
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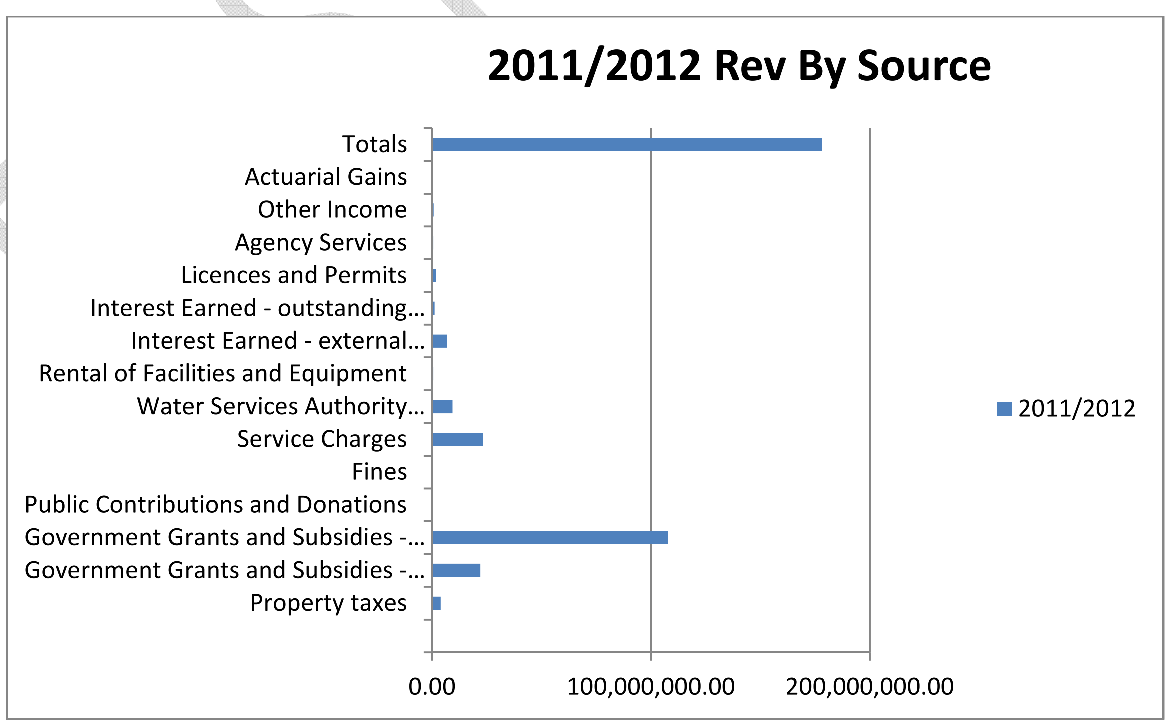
Agency Services	517 585.02	462 566.39	579 595.50
Other Income	361 125.12	499 824.14	688 992.23
Actuarial Gains		632 639.38	
	126 043 247.53	157152 608.85	178 053 591



5.8. Equitable Share

Council's equitable share allocation increased by 19.10% (R 79 190 000) and remains Council's major source of income.

Growth in Equitable share allocation:

Equitable Share	2009/2010	2010/2011	2011/2012
Increases	54,621,205	66, 492,733	79 190 000
% Increase		11,871,528, 21% Increase	12 697 267 , 19.10% Increase

5.8.1. Other external income / grants / allocations

It is anticipated that the following external income / grants / allocations would be received during this financial year:

SENQU MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011 R	Contributions during the year R	Interest on Investments R	Operating Expenditure during the year transferred to revenue R	Capital Expenditure during the year transferred to Revenue R	Balance 30 June 2012 R
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
National Government Grants						
Equitable Share	-	79 190 000	-	79 190 000	-	-
Municipal Finance Management	(54 422)	1 450 000	-	1 395 578	-	-
Municipal Infrastructure Grant	(267 146)	23 102 000	-	1 155 100	22 021 883	(342 129)
Municipal Systems Improvement	-	790 000	-	790 000		-
NDPG (Neighbourhood Development Partnership Grant)	7 196 397	2 900 000	-	1 931 571	-	8 164 825
EPWP (Expanded Public Works Program)	-	1 625 000	-	1 625 000	-	-
Total National Government Grants	6 874 828	109 057 000	-	86 087 249	22 021 883	7 822 696

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003/Cont…..

Provincial Government Grants							
Peach & Vegetable Processing	8 302	-	-	-	-	-	8 302
HoloHlahatsi Agricultural Project	104 517	-	-	-	-	-	104 517
Co-op's Development	2 993	-	-	-	-	-	2 993
Prov Gov - Housing (Lady Grey)	1 618 897	-	-	-	1 618 897	-	-
Prov Gov - Housing (Hillside)	1 280 832	5 762 799	-	-	6 213 391	-	830 240
Implementation Ownership	98 276	-	-	-	45 060	-	53 216
Rossouw Agricultural Project	92 811	-	-	-	43 230	-	49 582
Herschel People's Housing	7 094 314	-	318 187	-	-	-	7 412 501
Internet/Communication Systems	84 131	-	-	-	-	84 131	-
Plastic Products	206 080	-	-	-	115 913	-	90 167
Provincial Roads (Musong Road)	5 394 538	6 753 994	-	-	12 085 399	-	63 134
Greenest Municipality	-	300 000	-	-	-	-	300 000
Second Economy Regeneration (LED)	100 489	106 591	-	-	97 218	-	109 862
Clean Audit	-	95 000	-	-	-	-	95 000
Total Provincial Government Grants	16 086 181	13 018 384	318 187	-	20 231 023	84 131	9 107 599

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003/Cont…..

District Municipality Grants							
Commonage Management Plan	58 056	-	-	-	12 000	-	46 056
Municipal Support Programme	61 858	-	-	-	61 858	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	-	87 383	-	-
Libraries	-	1 278 873	-	-	1 278 873	-	-
Total District Municipality Grants	207 297	1 278 873	-	-	1 440 115	-	46 056
Total	**23 168 306**	**123 354 257**	**318 187**	**-**	**107 758 386**	**22 106 014**	**16 976 351**

5.8.2. Own income

Council's sound financial management since establishment during December 2000 has led to the stage where various activities and projects could be financed from its own income, reserve funds and accumulated surplus funds. Own income is based on the actual income received during the 2011/2012 financial year.

5.8.3 <u>Occupational Income Analysis</u>

Operational Income	2009/2010	2010/2011	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00
Agency Services	517 585.02	462 566.39	579 595.50
Other Income	361 125.12	499 824.14	688 992.23
Actuarial Gains		632 639.38	
Totals	126 043 247.53	157152 608.85	178 053 591

Operational increase / Growth R 32 504 437

Financial Year	2011 - 2012	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	178 053 590.58	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	13.30%	24.68%	27%	17.93%

5.9. Water Service Authority (WSA)

The estimated expenditure for rendering the water and sanitation services have been forwarded to the WSA: Joe Gqabi District Municipality. The tariffs were increased as follows:

Tariff Increased
Water - Increased by 11%
Sanitation - Increased by 11%

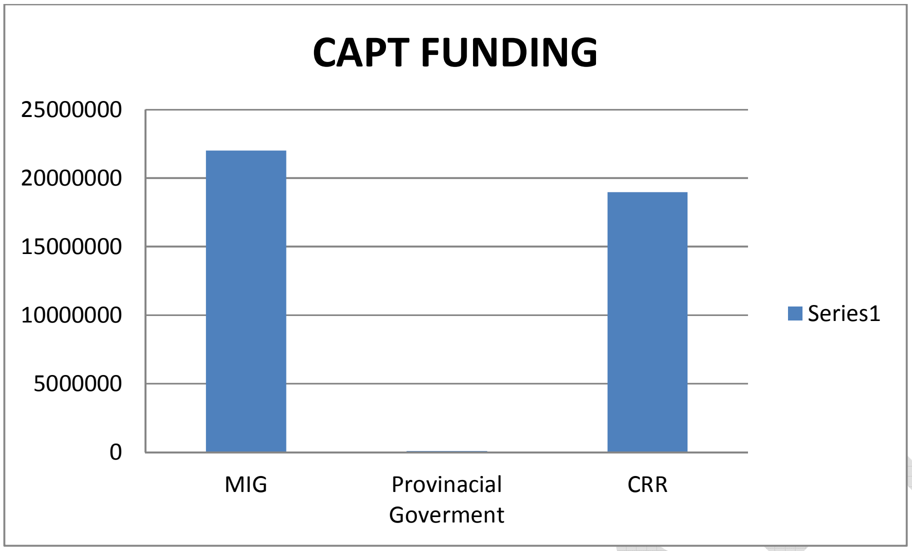
A new agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the municipality. Prior to that date the municipality acted as an agent for the Joe Gqabi District Municipality.

5.9.1. 2011/2012 Capital Budget

The capital budget R 41 057 664 is funded as follows:

22 006 900MIG
84 131 Provincial Government
18 966 633 Internally Generated Funds

The **R 41 057 664** is funded as follows:



5.10. **2010/ 11 Financial Results**

5.10.1 **2011/2012 Financial Statements**

The Annual Financial Statements for the period ended 30 June 2012 was compiled and submitted to the Municipal Manager and the Audit Committee on the 30^{tht} August 2012 where after it was reviewed in terms of section 166(2)(b) by the audit committee. In September 2011 the statements will presented to, discussed and approved by the municipal council of Senqu Municipality. Signed approved copies were on the 31st August 2012 forwarded to the National Treasury, Provincial Treasury and Auditor General.

A copy of these statements is attached to the Annual Report as Appendices: Volume 11.

5.10.2 **Operational results**

The Municipality estimated a revenue budget of R 195 281 854 million in the 2011/12 financial year. However, due to the global economic crisis and the ongoing implementation of improving the billing system together with the credit control policy, only 91.17% of the estimated budget was achieved. The provision for bad debts has increased to R 10 586 448.The Municipality only managed to spend 80.28% of its Operating expenditure Budget.

- **Employee Related costs**
  A savings of 10.3 % of the employee related costs is due to funded vacant posts. The Municipality has experienced major difficulty in attracting suitable qualified personnel.

- **Repairs and maintenance**
  In the financial year ending 2011/2012 the municipality has expensed 115.97% of its repairs and maintenance budget. An action plan has been drawn up to execute a well-planned programme for repairs and maintenance in the 2012/13 financial year. The municipality has embarked on a stringent maintenance campaign of its infrastructure assets.

Revenue	2011/2012 Budget	2011/2012 Actual	% Variance Actual to Budget	2009/2010 Actual
Total revenue	195 281 854	178 053 591	-9%	157 152 609
Total expenditure	164 315 116	131 905 060	-20%	121 004 806
Operating surplus	30 966 738	46 148 530		36 147 803

5.10.3 Operating Income Results

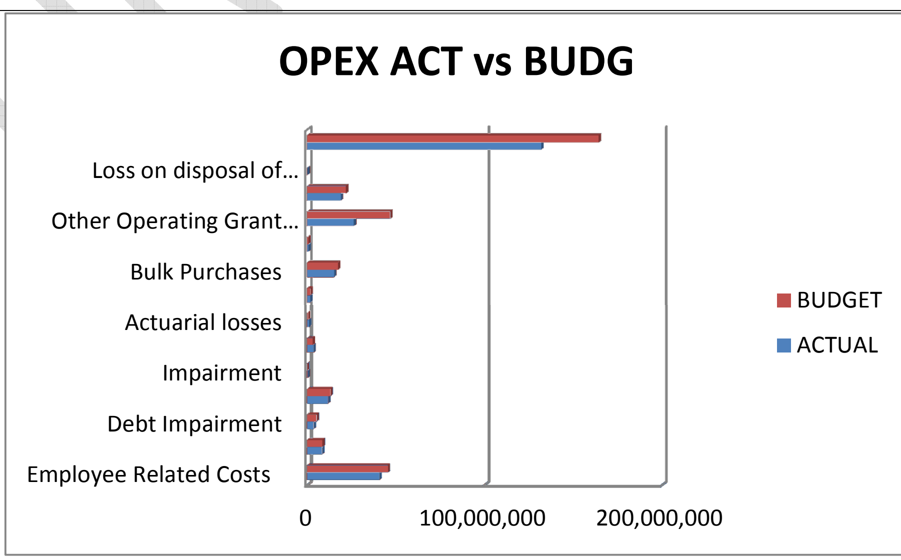
Analysis of Operating Revenue & Expenditure for year ended June 2012

Operating Revenue Results

Operational Income	2009/2010	2010/2011	2011/2012	Variances
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16	-4%
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23	0%
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27	-14%
Public Contributions and Donations			50 000.00	0%
Fines	53 516.59	69 300.00	50 455.00	102%
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38	-4%
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00	-5%
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38	109%
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46	6%
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97	37%
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00	70%
Agency Services	517 585.02	462 566.39	579 595.50	41%
Other Income	361 125.12	499 824.14	688 992.23	3%
Actuarial Gains		632 639.38		
Totals	126 043 247.53	157152 608.85	178 053 591	-9%

5.10.4 Operating Expenditure Results

	Actual	Budget	Variance R	%
Employee Related Costs	(40 775 916)	(45 460 099)	4 684 183	-10%
Remuneration of Councillors	(8 386 846)	(8 565 156)	178 310	-2%
Debt Impairment	(3 638 197)	(5 264 520)	1 626 323	-31%
Depreciation and Amortisation	(11 675 067)	(13 028 700)	1 353 633	-10%
Impairment	(116 766)		(116 766)	100%
Repairs and Maintenance	(3 597 561)	(3 101 953)	(495 608)	16%
Actuarial losses	(935 818)	(428 520)	(507 298)	118%
Finance Charges	(1 717 717)	(1 914 745)	197 028	-10%
Bulk Purchases	(15 130 377)	(17 303 100)	2 172 723	-13%
Grants and Subsidies Paid	(731 837)	(734 000)	2 163	0%
Other Operating Grant Expenditure	(26 240 396)	(46 678 843)	20 438 447	-44%
General Expenses	(18 873 280)	(21 835 480)	2 962 200	-14%
Loss on disposal of PPE/Investment Property	(85 282)	-	(85 282)	100%
Totals	**(131 905 060)**	**(164 315 116)**	**32 495 337**	**-20%**



5.10.5 Capital expenditure and financing

The expenditure on assets occurred during the financial year amounted to **R 38 223 475**,R **6 382 243** more than the previous year expenditure of R 31 841 232. The actual expenditure is 93.09% of what was budgeted for (R41 057 664) and consists of the following:

CAPITAL EXPENDITURE	(Actual)	(Budget)	(Variance)	(%)
Executive & Council	101 609	150 000	(48 391)	-32%
Planning & Development	39 126	55 870	(16 744)	-30%
Corporate Services	464 004	550 000	(85 996)	-16%
Housing			-	0%
Public Safety			-	0%
Budget & Treasury	459 688	534 131	(74 444)	-14%
Road Transport	31 296 180	33 302 022	(2 005 842)	-6%
Water			-	0%
Electricity	1 316 720	1 560 500	(243 780)	-16%
Community & Social Services	588 521	615 000	(26 479)	-4%
Sport & Recreation	2 837 721	2 918 071	(80 350)	-3%
Waste Management	**1 119 906**	**1 372 070**	**(252 164)**	**-18%**
TOTAL	**38 223 475**	**41 057 664**	**(2 834 189)**	**-7%**

R 6 213 391 the budgeted **R 17 494 043** for housing projects **(35.51%)** was spent on three housing projects currently in progress. The Department of Housing, Local Government and Traditional Affairs finance all three housing projects.

5.10.6 **Funds and reserves**

Full detail of Council's Statutory Funds, Reserves and Trust Funds are reflected within the Annual Financial Statements (Page 36).

The following contributions were made towards council's Funds and Reserves:

RESERVES	
Capital Replacement Reserve	75 142 035
Employee Benefits Reserve	11 645 194
Government Grant Reserve	
Housing Development fund	
Non-Current Provisions Reserve	
Public Contributions Reserve	
Revaluations Reserve	1 221 307
Social Contribution Reserve	
Capitalisation Reserve	
Valuation Roll Reserve	919 491
TOTAL RESERVES	**88 928 027**

All Council's Funds and Reserves are cash backed by investments and / or cash in the bank.

5.10.7. **Investments and cash**

Council's primary bank account is held at Standard Bank, Lady Grey. The existing signatories on all bank and investment accounts are:

- M M Yawa — Municipal Manager
- C R Venter — Chief Financial Officer
- C N Subkwana — Accountant: Expenditure/SCM
- A K Fourie — Budget & Treasury Officer

Required that at least the signature of the Municipal Manager or CFO together with any one of the above-mentioned signatories authorize any payment or transfer from any of Councils bank or investment accounts..

Investments & Cash	2011 - 2012
Standard Bank - Lady Grey Branch Account Number 28 063 130 8	
Cash book balance at beginning of year	2 275 326
Cash book balance at end of year	903 394
Bank statement balance at beginning of year	2 156 859
Bank statement balance at end of year	2 825 633

<u>Call Investment Deposits</u>	2011 - 2012
Call investment deposits consist out of the following accounts:	
Standard Bank 388489162/0	64 516 516
Standard Bank 388489731/0	54 019 271
Standard Bank 388486066/0	6 457 216
Totals	**124 993 004**

Investments are held at:

Standard Bank, Lady Grey; and

StanLIB, Queenstown.

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2031	16 407 798	281 615	698 212	15 991 202
Total Annuity Loans				**16 407 798**	**281 615**	**698 212**	**15 991 202**
LEASE LIABILITY							
Finance Leases			2013	73 438	-	29 500	43 938
Total Lease Liabilities				**73 438**	**-**	**29 500**	**43 938**
TOTAL EXTERNAL LOANS				**16 481 236**	**281 615**	**727 712**	**16 035 140**

5.10.8 **Long-term debtors**

The Municipality has no long term Debtors at the end of the financial year 2011/2012:

Service Receivables / Consumer Debtors

The following trade debtors were due to council as at 30 June 2012

SERVICE RECEIVABLES	2011-2012	2010-2011
Electricity	6 923 785	3 777 618
Water	2 512 603	1 906 602
Housing Rentals	251 795	219 456
Refuse	3 059 131	2 471 194
Sewerage	2 238 134	1 813 583
Other Arrears	10 825 739	1 519 852
Gariep Municipality (R 700 000 Short-term operating loan including interest)	857 634	788 724
Joe Gqabi District Municipality (Water Services Authority)	9 286 090	-
Payments in advance	588 723	581 862
Other	93 291	149 266
Balance previously reported	-	-
3 year maintenance contract for Conlog transferred to Prepaid expense - Note 39.02	-	149 266
Total Service Receivables	**25 811 187**	**11 708 303**
Less: Allowance for Doubtful Debts	(10 586 448)	(7 082 635)
Net Service Receivables	**15 224 739**	**4 625 668**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation:

Ageing of Receivables from Exchange Transactions

Ageing of Receivables from Exchange Transactions	2012 R	2011 R
Electricity (Ageing)		
Current (0 - 30 days)	2 602 875	1 890 074
31 - 60 Days	788 489	622 588
61 - 90 Days	491 711	283 935
+ 90 Days	3 444 629	1 395 260
Payment received in advance	(403 919)	(414 238)
Total	**6 923 785**	**3 777 618**
Water (Ageing)		
Current (0 - 30 days)	387 518	5 311
31 - 60 Days	89 123	79 661
61 - 90 Days	74 711	52 780
+ 90 Days	2 047 407	601 339
Payment received in advance	(86 155)	(72 489)
Total	**2 512 603**	**1 906 602**
Housing Rentals (Ageing)		
Current (0 - 30 days)	11 741	11 569
31 - 60 Days	11 206	6 445
61 - 90 Days	5 599	4 942
+ 90 Days	284 454	249 193
Payment received in advance	(61 205)	(52 693)
Total	**251 795**	**219 456**
Refuse(Ageing)		
Current (0 - 30 days)	208 255	185 938
31 - 60 Days	97 296	85 673
61 - 90 Days	77 490	62 823
+ 90 Days	2 703 684	2 167 751
Payment received in advance	(27 593)	(30 991)
Total	**3 059 131**	**2 471 194**
Sewerage(Ageing)		
Current (0 - 30 days)	99 454	90 195
31 - 60 Days	56 253	50 977
61 - 90 Days	47 728	37 026
+ 90 Days	2 044 550	1 646 836
Payment received in advance	(9 850)	(11 450)
Total	**2 238 134**	**1 813 583**
Others(Ageing)		
Current (0 - 30 days)	588 723	581 862
+ 90 Days	857 634	188 724
Total	**1 446 358**	**1 370 585**
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	**7 082 635**	**6 435 725**
Contribution to provision	3 781 095	646 910
Bad Debts (written off)	(277 283)	-
Balance at end of year	**10 586 448**	**7 082 635**

Provision was also made for bad debt for the all consumer debt exceeding 90 days:

5.11 Provisions

At year-end the following provisions were made for expenditure that would incur during the 2011/2012 financial year:

Provision	
Current Portion of Rehabilitation of Landfill-sites - Note 5	6 497 749
Total Provisions	**6 497 749**

5.11.1. Payables from exchange transactions

An amount of R 3 244 387 had not been paid to various trade creditors at year-end.

5.11.2 Consumer deposits

An amount of **R 532 757** as at 30 June 2011 is held as deposits on water and electricity services rendered to consumers.

5.12. Audit Reports and Corrective Actions

The auditing of the financial statements for the period ended 30 June 2012 has commenced during August 2011 and the Report of the Auditor-General of Senqu Municipality for the Financial Year ended 30 June 2012 is enclosed in the Annual report pages ???

5.12.1 Corrective Actions

The Report of the Auditor-General is currently being dealt with by the Audit Committee.

5.13 Challenges

The following is seen as the challenges that need to be accomplished during the 2011/12 financial year:

- Ongoing Compliance and implementation of the **Municipal Finance Management Act** (MFMA)
- Full Compliance to GRAP , Senior financial staff continue to be sent for training on the implementation thereof and if needed the expertise of external service providers would be called upon to assist the department;
- Various new and existing **policies will be compiled/reviewed** and the all stakeholders will be consulted as required;
- **Training** of staff within the finance department would continue. Capacity building within the finance department is council's and management's first priority;
- Implementation of a comprehensive **Information Technology (IT) system** has been completed and further development so to enable council to be as independent as possible from external service providers;
- GRAP compliant Assets register in place
- Departmental SDBIP'S for 2011/2012 completed, monitor, evaluated and report on implementation during 2011/2012;
- To correct deficiencies in the risk management and internal controls - and the maintenance of effective, efficient and transparent systems of financial and risk management and internal control.
- Develop strategies /plans to address Audit Queries raised in the Budget & Treasury Directorate.
- Develop a strategy to deal with sound financial management and expenditure control and means to increase revenue and external funding

5.14. Concluding Remarks

The award of an unqualified audit report for two consecutive years illustrates the positive strides made towards ensuring that financial management remains a prioritized area of functioning and application within Senqu Municipality:

As per the legislative requirements and prescriptions every effort is being made to ensure that the following financial management strategic objectives and targets are prioritized:

- Annual overview on Risk Management and an Implementation Plan
- Monitoring of financial viability re- debt coverage and expenditure control.
- Implementation of Revenue Management Strategies to enhance Revenue.
- Efforts to facilitate full GRAP compliance.
- The development and ongoing review of all required Financial Policies.

C R VENTER

CHIEF FINANCIAL OFFICER

SENQU

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

SENQU MUNICIPALITY

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SENQU MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS
Senqu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM
South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION
The Senqu Municipality includes the following areas:
Lady Grey
Barkly East
Sterkspruit
Rhodes
Herschel
Rossouw

MEMBERS OF THE EXECUTIVE COMMITTEE
NY Mtyali
MW Mpelwane
GNMbonyana
NM Kwinana
S Mziki
M Mafilika
J Constable
MUNICIPAL MANAGER
M MYawa

CHIEF FINANCIAL OFFICER
C R Venter

REGISTERED OFFICE
P.O. Box 18
Lady Grey
9755

AUDITORS
Auditor-General
P O Box 13252
East London

PRINCIPLE BANKERS

Standard Bank

ATTORNEYS

Douglas & Botha

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

SENQU MUNICIPALITY COUNCILLORS

WARD	COUNCILLOR
1	B.SMajodina
2	P.G. Key
3	N. Nombula
4	N. M. Kwinana
5	J Lamani
6	N.CMraji
7	N.AMkhontwana
8	M.G. Moeletsi
9	A.P April
10	S. Mfisa
11	M.NNgedane
12	M.PBingwa
13	L.MTokwe
14	M.JMjali
15	S.SNdzongana
16	M.MMafilika
17	P.N August
18	B. Ngogodo
19	N.CMotemekoane
Proportional	A. P. Kwinana
Proportional	A.HSobhuza
Proportional	G. Mbonyana
Proportional	G.SMvunyiswa
Proportional	I Mosisidi
Proportional	I. Elia
Proportional	H Van De Walt
Proportional	J. Constable
Proportional	M. A Moshasha
Proportional	M. Senoamali
Proportional	M.AMangali
Proportional	M.JSereba
Proportional	M.W. Mpelwane
Proportional	N.MNthako
Proportional	N.YMtyali
Proportional	R.MJoubert
Proportional	S. Mziki
Proportional	S.STindleni

..

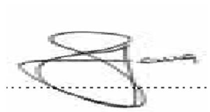
I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M MYawa	**Date**
Municipal Manager	

SENQU MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012	2011
		R	R
NET ASSETS AND LIABILITIES			
Net Assets	2	**270 361 470**	**223 836 046**
Capital Replacement Reserve	2	75 142 035	56 463 739
Revaluation Reserve	2	1 221 307	844 413
Employee Benefits Reserve	2	11 645 194	5 644 845
Valuation Roll Reserve		919 491	689 618
Accumulated Surplus/(Deficit)		181 433 443	160 193 430
Non-Current Liabilities		**29 090 804**	**28 226 488**
Long-term Liabilities	3	15 237 007	15 703 059
Employee benefits	4	10 726 761	9 429 630
Non-Current Provisions	5	3 127 036	3 093 799
Liabilities associated with Discontinued Operations	**38.02**	**2 328 360**	
Current Liabilities		**33 196 581**	**37 835 526**
Consumer Deposits	6	532 757	341 819
Current Employee benefits	7	4 899 112	5 213 040
Provisions	8	6 497 749	6 072 663
Payables from exchange transactions	9	3 148 381	1 936
Unspent Conditional Government Grants and Receipts	10	17 318 480	23 489 875
Taxes	11	-	-
Operating Lease Liability	21.1	1 970	3 865
Cash and Cash Equivalents	22	-	-
Current Portion of Long-term Liabilities	3	798 132	778 177
Total Net Assets and Liabilities		**334 977 215**	**289 898 061**
ASSETS			
Non-Current Assets		**187 035 328**	**160 576 211**
Property, Plant and Equipment	12	172 718 835	
Capitalised Restoration Cost	13	1 510 395	
Investment Property	15	12 548 500	
Intangible Assets	16	257 598	
Long-Term Receivables	17	-	
Non-Current Assets Held for Sale	14	**84 851**	**33 694**
Assets associated with Discontinued Operations	38.02	**848 736**	**-**
Current Assets		**147 008 300**	**129 288 155**
Inventory	18	4 310 567	5 153 854
Receivables from exchange transactions	19	14 687 943	4 625 668
Receivables from non-exchange transactions	20	599 419	942 838
Unpaid Conditional Government Grants and Receipts	10	342 129	321 568
Operating Lease Asset	21.2	45 800	33 327
Taxes	11	1 125 142	2 050 622
Current Portion of Long-term Receivables	17	-	13 695
Cash and Cash Equivalents	22	125 897 298	116 146 583
Total Assets		**334 977 215**	**289 898 061**

SENQU MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011 Restated - Note 37	2011 Previously Reported
		R	R	R
REVENUE				
Revenue from Non-exchange Transactions		**133 965 867**	**122 871 016**	**122 871 016**
Taxation Revenue		**4 001 011**	**4 197 252**	**4 197 252**
Property taxes	**23**	4 001 011	4 197 252	4 197 252
Transfer Revenue		**129 914 401**	**117 971 825**	**117 971 825**
Government Grants and Subsidies - Capital	**24**	22 106 014	41 478 066	41 478 066
Government Grants and Subsidies – Operating	**24**	107 758 386	76 493 759	76 493 759
Public Contributions and Donations		50 000	-	-
Other Revenue		**50 455**	**701 939**	**701 939**
Actuarial Gains		-	632 639	632 639
Fines		50 455	69 300	69 300
Revenue from Exchange Transactions		**31 129 970**	**21 993 821**	**34 281 592**
Service Charges	**25**	19 950 838	13 905 420	16 655 202
Water Services Authority Contribution	**26**	-	-	9 286 090
Rental of Facilities and Equipment		558 046	375 048	375 048
Interest Earned - external investments		6 790 249	4 915 084	4 915 084
Interest Earned - outstanding debtors		881 990	885 008	1 136 907
Licences and Permits		1 680 258	950 871	950 871
Agency Services		579 596	462 566	462 566
Other Income	**27**	688 992	499 824	499 824
Gain on disposal of Property, Plant and Equipment		-	-	-
Total Revenue		**165 095 836**	**144 864 383**	**157 152 609**
EXPENDITURE				
Employee related costs	**28**	30 793 033	26 260 794	34 732 945
Remuneration of Councillors	**29**	8 386 846	7 158 923	7 158 923
Debt Impairment	**30**	2 694 143	829 110	1 332 557
Depreciation and Amortisation	**31**	11 675 067	10 480 013	10 810 725
Impairment		116 766	-	-
Repairs and Maintenance	**32**	3 405 197	2 703 133	3 015 464
Actuarial losses	**4**	561 491	29 389	48 981
Finance Charges	**33**	1 717 717	1 566 307	1 570 656
Bulk Purchases	**34**	15 130 377	12 494 708	12 494 708
Grants and Subsidies Paid	**35**	731 837	798 812	798 812
Other Operating Grant Expenditure	**36**	26 240 396	33 748 293	33 748 293
General Expenses	**37**	17 209 501	13 115 301	14 765 959
Loss on disposal of PPE/Investment Property		85 282	446 900	458 428
Total Expenditure		**118 747 653**	**109 631 682**	**120 936 451**
NET SURPLUS/(DEFICIT) FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		**46 348 183**	**35 233 155**	**36 216 157**
Discontinued Operations (Health)	**38.01**	-	(68 355)	(68 355)
Discontinued Operations (Water and Sanitation)		(199 653)	1 223 260	-
NET SURPLUS/(DEFICIT) FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		**46 148 530**	**36 388 061**	**36 147 803**

SENQU MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve	Revaluation Reserve	Employee Benefits Reserve	Valuation Roll Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 30 JUNE 2010	**39 964 908**	**566 134**	**-**	**-**	**143 537 414**	**184 068 456**
Correction of error - Note - 39.05	-	-	-	-	3 101 251	3 101 251
Restated Balance at 1 JULY 2010	**39 964 908**	**566 134**	**-**	**-**	**146 638 664**	**187 169 706**
Net Surplus/(Deficit) for the year	-	-	-	-	36 388 061	36 388 061
Transfer to CRR	16 498 831	-	-	-	(16 498 831)	-
Revaluation on Land and Buildings	-	278 279	-	-	-	278 279
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	689 618	(689 618)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	5 644 845	-	(5 644 845)	-
Balance at 30 JUNE 2011	**56 463 739**	**844 413**	**5 644 845**	**689 618**	**160 193 430**	**223 836 046**
Net Surplus/(Deficit) for the year	-	-	-	-	46 148 530	46 148 530
Transfer to CRR	18 678 296	-	-	-	(18 678 296)	-
Revaluation on Land and Buildings	-	376 894	-	-	-	376 894
Transfer to Valuation Roll Reserve in terms of Funding and Reserves Policy	-	-	-	229 873	(229 873)	-
Transfer to Employee Benefits Reserve in terms of Funding and Reserves Policy	-	-	6 000 349	-	(6 000 349)	-
Balance at 30 JUNE 2012	**75 142 035**	**1 221 307**	**11 645 194**	**919 491**	**181 433 443**	**270 361 470**

SENQU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other - Restated 2011		28 625 958	46 976 466
Government - Restated 2011		123 562 445	129 266 644
Interest		6 790 249	4 915 084
Payments			
Suppliers and employees		(108 526 423)	(106 145 612)
Finance charges		(1 717 717)	(1 566 307)
Transfers and Grants		(731 837)	(798 812)
Cash generated by operations	**40**	**48 002 675**	**72 647 463**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(38 155 123)	(31 595 704)
Proceeds on Disposal of Fixed Assets		212 979	764 417
Purchase of Intangible Assets		(68 352)	(81 758)
Decrease in Long-term Receivables		13 695	16 740
Net Cash from Investing Activities		**(37 996 800)**	**(30 896 305)**
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		281 615	8 473 416
Loans repaid		(727 712)	(328 758)
Decrease in Consumer Deposits		190 938	(21 159)
Net Cash from Financing Activities		**(255 159)**	**8 123 498**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9 750 715**	**49 874 656**
Cash and Cash Equivalents at the beginning of the year		116 146 583	66 271 927
Cash and Cash Equivalents at the end of the year	**41**	125 897 298	116 146 583
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9 750 715**	**49 874 656**

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The municipality resolved to early adopt the followingGRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	**Consolidated and Separate Financial Statements** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 7 (Revised)	**Investments in Associate** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 8 (Revised)	**Interest in Joint Ventures** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 18	**Segment Reporting** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 24	**Presentation of Budget Information in Financial Statements** Information to a large extent is already included in the notes to the annual financial statements.	**1 April 2012**

Standard	Description	Effective Date
GRAP 25	**Employee Benefits** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 103	**Heritage Assets** No adjustments necessary as the municipality has no significant heritage assets.	**1 April 2012**
GRAP 104	**Financial Instruments** Information to a large extent is already included in the notes to the annual financial statements.	**Unknown**
GRAP 105	**Transfer of Functions Between Entities Under Common Control** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 106	**Transfer of Functions Between Entities Not Under Common Control** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**
GRAP 107	**Mergers** No significant impact is expected as the municipality does not participate in such business transactions.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.8.2 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of the Valuation roll

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit.

1.8.4 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at

the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.13. EMPLOYEE BENEFITS

(a) Post-Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded

as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and

condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. This includes the capitalised restoration cost of refuse tip sites.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives: The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		***Years***
<u>Infrastructure</u>		**<u>Other</u>**	
Roads and Paving	5 - 50	Buildings	100
Pedestrian Malls	20	Specialist vehicles	10 - 30
Electricity	15 - 50	Other vehicles	5 - 20
Water	15 - 20	Office equipment	5 - 10
Sewerage	10 - 50	Furniture and fittings	7 - 15
		Bins and containers	5 - 10
<u>Community</u>		Specialised plant and	
Buildings	100	Equipment	10 - 30
Recreational Facilities	20 - 30	Other plant and	

Security	5	Equipment	2 - 12
Halls	20 - 30	Landfill sites	25 - 30
Libraries	20 - 30		
Parks and gardens	15 - 20	Emergency equipment	10 - 30
Other assets	15 - 20	Computer equipment	5 - 10

Heritage Assets and Land	
Heritage assets	50- Infinite
Land	Infinite
Finance lease assets	
Office equipment	3
Other assets	5 - 6

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised

impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively

assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 _Payables and Annuity Loans_

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 _Cash and Cash Equivalents_

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 _Financial Assets_

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognized using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3 *Grants, Transfers and Donations (Non-Exchange Revenue)*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2^{nd} and 3^{rd} bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations and Long Service Awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the

actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Provision for Task Implementation and Back Pay

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

		2012 R	2011 R
2	**NET ASSET RESERVES**		
	RESERVES	88 928 027	63 642 616
	Capital Replacement Reserve	75 142 035	56 463 739
	Employee Benefits Reserve	11 645 194	5 644 845
	Revaluations Reserve (Restated 2010)	1 221 307	844 413
	Valuation Roll Reserve	919 491	689 618
	Total Net asset Reserve and Liabilities	**88 928 027**	**63 642 616**
3	**LONG TERM LIABILITIES**		
	Annually Loans – At amortised cost	15 991 202	16 407 798
	Capitalised Lease Liability – At amortised cost	43 938	73 438
		16 035 140	**16 481 236**
	Less: Current Portion transferred to Current Liabilities	**798 132**	**778 177**
	Annuity Loans – At amortised cost	765 704	748 677
	Capitalised Lease Liability – At amortised cost	32 429	29 500
	Total Long-Term Liabilities – At amortised cost using the effective interest rate method	**15 237 007**	**15 703 059**

Development Bank Loan

The fair value of Long-Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions

The obligations under annuity loans are scheduled below:	**Minimum Annuity Payments**	
Amounts payable under annuity loans:		
Payable within one year	1 969 561	1 988 898
Payable within two to five years	7 372 124	7 449 473
Payable after five years	18 515 413	19 813 481
	27 857 098	29 251 852
Less: Future finance Obligations	(11 865 896)	(12 844 054)
Present value of annuity obligations	**15 991 202**	**16 407 798**

The obligations under annuity loans are scheduled below:	**Minimum Lease Payments**	
Amounts payable under finance leases:		
Payable within one year	35 215	35 215
Payable within two to five years	11 738	46 954
	46 954	82 169
Less: Future finance Obligations	(3 015)	(8 730)
Present value of lease obligations	**43 938**	**73 438**-

Leases are secured by property, plant and equipment - Note 12

Supplier	Description of Leased item	Effective Interest Rate	Annual Escalation	Lease Term	Maturity Date
NRB Risk Solutions	Telephone System	10%	0%	3 years	11/2013

4	**EMPLOYEE BENEFITS**		
	Post-Retirement Benefits - Refer to Note 4.1	11 022 665	8 787 735
	Long Service Awards - Refer to Note 4.2	841 146	641 895
	Total Non-current Employee Benefit Liabilities	**11 863 811**	**9429 630**

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar	Intangible Assets	1 April 2013

2012)		
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The

presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality: **Standard**	**Description**	**Effective Date**
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does not participate in such business transactions.	**1 April 2013**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.	**Unknown**

	No significant impact is expected as the Municipality is not involved in any joint ventures.	
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 24 **(Original – Nov 2007)**	**Presentation of Budget Information in Financial Statements** This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.	**1 April 2012**
GRAP 103 **(Original – July 2008)**	**Heritage Assets** The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	**1 April 2012**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.	**Unknown**

	No significant impact is expected as the Municipality does not participate in such business transactions.	
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.2 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of the Valuation roll

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit.

1.8.4 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(c) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(d) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.14. EMPLOYEE BENEFITS

(f) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(g) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(h) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(i) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees . Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(j) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(k) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for

administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		***Years***
Infrastructure		**Other**	
Roads and Paving	5 - 50	Buildings	100
Pedestrian Malls	20	Specialist vehicles	10 - 30
Electricity	15 - 60	Other vehicles	5 - 20
Water	15 - 20	Office equipment	5 - 15
Sewerage	10 - 50	Furniture and fittings	7 - 15
		Bins and containers	5 - 10
Community		Specialised plant and Equipment	10 - 30
Buildings	100		
Recreational Facilities	20 - 30	Other plant and Equipment	2 - 12
Security	5		
Halls	20 - 30	Landfill sites	25 - 30
Libraries	20 - 30		
Parks and gardens	15 - 20	Emergency equipment	10 - 30
Other assets	15 - 20	Computer equipment	5 - 12
Heritage Assets and Land			
Heritage assets	50- Infinite		
Land	Infinite		
Finance lease assets			
Office equipment	3		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**

Computer Software 3 - 12

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of

  the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the

asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or
produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost (”other”). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 *Payables and Annuity Loans*

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 *__Financial Liabilities__*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered,

whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated

based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

APPENDIX A - Unaudited

SENQU MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	LoanNumber	Redeemable	Balance at30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at30 JUNE 2012
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2031	16 407 798	281 615	698 212	15 991 202
Total Annuity Loans				**16 407 798**	**281 615**	**698 212**	**15 991 202**
LEASE LIABILITY							
Finance Leases			2013	73 438	-	29 500	43 938
Total Lease Liabilities				**73 438**	**-**	**29 500**	**43 938**
TOTAL EXTERNAL LOANS				**16 481 236**	**281 615**	**727 712**	**16 035 140**

APPENDIX B - Unaudited

SENQU MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2012

GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Impairment	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Closing Balance	
Executive & Council	1 567 612	101 609	2 923	-	1 666 299	186 166	204 637	2 091	-	388 712	1 277 587
Planning & Development	2 768 230	39 126	16 883	-	2 790 472	516 534	254 087	11 236	-	759 385	2 031 087
Corporate Services	70 911 935	464 004	75 038	-	71 300 901	3 552 308	887 997	66 145	-	4 374 161	66 926 741
Budget & Treasury	2 726 179	459 688	499 670	-	2 686 197	1 098 318	436 465	319 023	-	1 215 760	1 470 438
Road Transport	113 099 043	31 296 180	253 128	1 104 136	143 037 959	34 093 764	8 960 612	132 924	1 077 408	41 844 044	101 193 915
Electricity	7 407 533	1 316 720	126	141 394	8 582 733	2 484 815	228 166	84	97 763	2 615 135	5 967 598
Community & Social Services	546 123	588 521	88 767	-	1 045 878	233 870	86 290	55 719	-	264 440	781 437
Sport & Recreation	24 650	2 837 721	-	-	2 862 371	2 703	4 782		-	7 485	2 854 886
Waste Management	2 822 191	1 119 906	318	-	3 941 780	766 107	154 639	212	-	920 534	3 021 245
	201 873 496	**38 223 475**	**936 852**	**1 245 530**	**237 914 589**	**42 934 584**	**11 217 676**	**587 434**	**1 175 170**	**52 389 656**	**185 524 933**

APPENDIX C - Unaudited
SENQU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
2 674 718	14 735 911	(12 061 193)	Executive & Council	2 526 000	20 213 293	(17 687 293)
5 079 295	8 577 200	(3 497 905)	Planning & Development	2 211 847	7 638 333	(5 426 486)
80 921	3 374 809	(3 293 889)	Corporate Services	114 742	6 647 904	(6 533 162)
10 118 272	10 732 714	(614 442)	Housing	7 944 135	6 975 151	968 984
25 290	4 991	20 299	Public Safety	67 557	3 348	64 209
70 569 375	7 074 612	63 494 762	Budget & Treasury	83 125 198	7 313 422	75 811 777
34 350 377	33 467 156	883 221	Road Transport	35 912 935	33 461 933	2 451 002
6 238 100	5 891 320	346 779	Waste Water Management	6 349 521	6 795 441	(445 920)
6 049 672	5 173 191	876 481	Water	6 608 233	6 361 966	246 267
15 829 865	18 632 533	(2 802 668)	Electricity	22 562 876	22 820 006	(257 130)
1 282 919	5 122 402	(3 839 483)	Community & Social Services	1 866 672	5 072 848	(3 206 176)
-	193 491	(193 491)	Sport & Recreation	3 306 137	47 183	3 258 954
4 853 806	7 715 863	(2 862 057)	Waste Management	5 457 735	8 554 231	(3 096 497)
						-
157 152 609	120 696 193	36 456 415	Sub Total	178 053 590	131 905 059	46 148 530
263 338	(331 693)	(68 355)	Discontinued Operations (Health)	-	-	-
157 415 947	120 364 501	36 388 061	**Total**	178 053 590	131 905 059	46 148 530

APPENDIX D - Unaudited
SENQU MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property taxes	4 001 011	4 174 416	(173 405)	-4.15%	-
Government Grants and Subsidies - Capital	22 106 014	22 091 031	14 983	0.07%	-
Government Grants and Subsidies - Operating	107 758 386	125 317 376	(17 558 990)	-14.01%	Operational Grants used for Capital Expenditure
Public Contributions and Donations	50 000	50 000	-	0.00%	-
Fines	50 455	25 000	25 455	101.82%	Traffic Law Enforcement improved
Service Charges	23 335 928	24 300 180	(964 252)	-3.97%	-
Water Services Authority Contribution	9 286 090	9 734 836	(448 746)	-4.61%	-
Rental of Facilities and Equipment	558 046	267 000	291 046	109.01%	Improved control over municipal assets
Interest Earned - external investments	6 790 249	6 400 000	390 249	6.10%	-
Interest Earned - outstanding debtors	1 168 564	851 940	316 624	37.17%	Increase in Consumer Debtors
Licences and Permits	1 680 258	990 000	690 258	69.72%	Service Delivery at Traffic Test Station improved
Agency Services	579 596	410 000	169 596	41.36%	Revenue enhancement improved
Other Income	688 992	670 075	18 917	2.82%	-
Total Revenue	**178 053 591**	**195 281 854**	**(17 228 263)**		

APPENDIX D - Unaudited Cont…..	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
EXPENDITURE					
Executive & Council	20 213 293	22 708 703	(2 495 410)	-10.99%	Directors re-appointed at same salaries
Planning & Development	7 638 333	17 396 450	(9 758 117)	-56.09%	Slow progress Neighbourhood Development projects
Corporate Services	6 647 904	6 658 519	(10 615)	-0.16%	-
Housing	6 975 151	18 428 795	(11 453 644)	-62.15%	Slow progress on Housing projects due to land disputes
Public Safety	3 348	5 740	(2 392)	-41.67%	Value (R 2 392) not material
Budget & Treasury	7 313 422	9 042 371	(1 728 949)	-19.12%	Budgeted Rates Rebate and Bad Debts Provision not utilised in full
Road Transport	33 461 933	34 939 584	(1 477 651)	-4.23%	-
Waste Water Management	6 795 441	7 441 749	(646 308)	-8.68%	-
Water	6 361 966	6 972 290	(610 324)	-8.75%	-
Electricity	22 820 006	26 075 042	(3 255 036)	-12.48%	Change in electricity purchase tariff
Community & Social Services	5 072 849	5 168 418	(95 569)	-1.85%	-
Sport & Recreation	47 183	149 052	(101 869)	-68.34%	Depreciation cost over-budgeted
Waste Management	8 554 231	9 328 403	(774 172)	-8.30%	-
Total Expenditure	**131 905 060**	**164 315 116**	**(32 410 056)**		
NET SURPLUS/(DEFICIT) FOR THE YEAR - AFTER DISCONTINUED OPERATIONS	**46 148 530**	**30 966 738**	**15 181 792**		

APPENDIX E - Unaudited

SENQU MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Contributions during the year	Interest on Investments	Operating Expenditure during the year transferred to revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
National Government Grants						
Equitable Share	-	79 190 000	-	79 190 000	-	-
Municipal Finance Management	(54 422)	1 450 000	-	1 395 578	-	-
Municipal Infrastructure Grant	(267 146)	23 102 000	-	1 155 100	22 021 883	(342 129)
Municipal Systems Improvement	-	790 000	-	790 000		-
NDPG (Neighbourhood Development Partnership Grant)	7 196 397	2 900 000	-	1 931 571	-	8 164 825
EPWP (Expanded Public Works Program)	-	1 625 000	-	1 625 000	-	-
Total National Government Grants	6 874 828	109 057 000	-	86 087 249	22 021 883	7 822 696

APPENDIX E – Unaudited (cont.)

Provincial Government Grants							
Performance Agreements	-	-	-	-	-	-	-
Peach & Vegetable Processing	8 302	-	-	-	-	-	8 302
HoloHlahatsi Agricultural Project	104 517	-	-	-	-	-	104 517
Surveying / Land Audit	-	-		-	-	-	-
Heritage Management	229 912	229 912	-	-	-	-	-
Co-op's Development	2 993	-	-	-	-	-	2 993
ProvGov - Housing (Lady Grey)	1 984 417	-	-	-	365 520.11	-	1 618 897
ProvGov - Housing (Hillside)	446 773	-	10 440 679	-	9 606 620.39	-	1 280 832
Implementation Ownership	233 546	-	-	-	135 270	-	98 276
Traffic Test Station (Sterkspruit)	104 879	-	-	-	-	104 879	-
Rossouw Agricultural Project	92 811	-	-	-	-	-	92 811
Herschel People's Housing	6 774 561	-	-	319 752	-	-	7 094 314
Internet/Communication Systems	84 131	-	-	-	-	-	84 131
Plastic Products	1 410 047	-		-	241 367	962 600	206 080
Provincial Roads (Musong Road)	-	-	20 985 990	-	15 591 452	-	5 394 538
IEC Elections	-	-	750 000	-	750 000	-	-
Greenest Municipality	-	-	200 000	-	200 000	-	-
Small Town	-	-	100 489	-	-	-	100 489
Total Provincial Government Grants	11 476 889	229 912	32 477 158	319 752	26 890 229	1 067 479	16 086 181
District Municipality Grants							
Commonage Management Plan	59 781	-	-	-	1 725	-	58 056
Municipal Support Programme	83 650	-	-	-	21 792	-	61 858
Tourism	-	-	20 000	-	20 000	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	-	-	-	87 383
IDP	-	-	50 000	-	50 000	-	-
Libraries	-	-	660 000	-	660 000	-	-
Total District Municipality Grants	230 815		730 000	-	753 517	-	207 297
Total	**12 103 399**	**229 912**	**128 946 891**	**319 752**	**116 904 346**	**1 067 479**	**23 168 306**